Austria Sch22	Indonesia Rp3100	Philippines. Pesos40
Bahrain Din0.650	Iran Rls160	Portugal Esc120
Belgium BFr48	Israel NS3.50	S.Arabia Rls7.00
Canada ....C$1.00	Italy L1700	Singapore ... S$4.10
Cyprus ....C£0.90	Japan Y600	Spain Pta145
Denmark . DKr10.00	Jordan .... Fils 500	Sri Lanka Rup30
Egypt .... E£2.25	Kuwait .... Fils 500	Sweden SKr9.00
Finland Fmk7.00	Lebanon ...£1,250.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan .... NT$85
Germany DM2.30	Malaysia Rin4.25	Thailand Bht50
Greece Dr120	Mexico Pes300	Tunisia Din0.800
Hong Kong....HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

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EC TRADE
Fair practice, not protectionism
Page 21

World News

Fears grow of US-EC trade war over beef

FEARS that a full-scale transatlantic trade war would erupt in the New Year grew after weekend talks between the European Community and the US apparently failed to narrow differences over the simmering dispute on hormone-treated beef.

Clayton Yeutter, US Trade Representative, and Richard Lyng, US Agriculture Secretary, made clear at a briefing in Brussels on Saturday that Washington would "retaliate accordingly" if the EC proceeded with its promised ban on $150m of treated beef from January 1. Page 2

Protests in Kosovo
Ethnic Albanians in Kosovo province say they will take to the streets again within days unless their demands for reinstatement of Albanian leaders sacked by Serbs are met. Page 3

West Bank clashes
A 22-year-old Palestinian was shot dead and eight others hurt by army troops in the Israeli-occupied West Bank and Gaza Strip. Three of the wounded were shot and five injured during an army raid in the village of Madama.

Suicide denied
Allegations that Christina Onassis, 37-year-old daughter of Greek shipping tycoon Aristotle Onassis, killed herself were rejected by the vice-president of the family foundation which managed her immense wealth. A judge in Argentina where she died called her death questionable and ordered an autopsy.

Afghanistan call
Soviet leader Mikhail Gorbachev and Indian Prime Minister Rajiv Gandhi jointly asked the UN to help establish a broadly based government in Afghanistan. They said a UN supported international conference may be needed for this purpose Page 2

Cypriot leaders talk
Turkish Cypriot leader Rauf Denktash arrived in New York for resumed UN-sponsored peace talks with Greek Cypriot leader George Vassiliou.

Sri Lanka elections
A former Tamil guerrilla group captured eight seats and a Moslem party won three in elections for provincial council seats in eastern Sri Lanka, showing a sharp rebuff of the predominantly Sinhalese party which controls the national government.

Oil espionage
Statoil, Norway's state oil firm, said that police would investigate an espionage ring trying to sell secret information in the multi-billion dollar oil industry.

Afghan aircraft shot
Pakistan shot down an intruding Afghan aircraft, killing all on board, the Pakistani Defence Ministry said. It did not specify the number killed or the type of aircraft.

Poland rallies
Polish police detained more than 20 people after marches and rallies in support of the banned union Solidarity. The protests came after Lech Walesa and Interior Minister General Czeslaw Kiszczak failed to agree on holding round-table talks on national reconciliation. Page 2

Moscow mourning
About 300 people gathered in sub-zero temperature in a Moscow cemetery to hold a memorial service for victims of the Stalin regime. Page 2

Colombian toll
Political or drug-motivated violence has claimed 3,600 lives in Colombia this year, official statistics showed.

Cannabis haul
Three Dutchmen and an American woman have been charged with importing cannabis after a tonne was seized by customs at Poole in England.

Ancient city found
A British archaeological expedition has found the remains of an ancient Assyrian city in the Jazira region near the Syrian border.

Business Summary

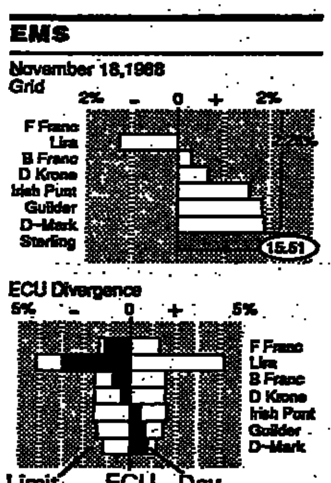
Austria wins telecoms deal with Hungary

AUSTRIAN companies are supplying Hungary with advanced Western telecommunications equipment under the first major deal signed since the West's embargo on deliveries of digital telephone exchanges to the Soviet bloc was lifted in September. Page 22

EUROPEAN Monetary System: Trading remained nervous among EMS currencies last week, but the dollar's recovery, after central bank intervention removed pressure on the weaker currencies.

The Bank of France left its money market intervention rate unchanged, while the Belgian central bank cut its discount rate to 7¼ per cent.

EMS



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies. Currencies, Page 42

MINORCO, South African-controlled investment company, assured Bill Brown, chief executive of Consolidated Gold Fields' wholly owned US subsidiary, Gold Fields Mining Corporation, that he would not be fired should Minorco gain control of Gold Fields. Page 30

SUNTORY, Japanese beverages producer with which Allied-Lyons of the UK last month formed a shareholding and marketing alliance, has shown an 83.3 per cent drop in interim pre-tax profits to Y8.14bn ($66m). Page 28

TOKYO: The Tokyo stock exchange was closed for its half-day session on Saturday. World stock markets, Page 43.

JAPANESE industry official called for a greater acceptance of hostile corporate takeovers in the domestic market, suggesting that the country's taboo on unsolicited bids might be hampering economic efficiency. Page 3

PECHINEY, French nationalised aluminium group, was widely tipped to be on the verge of announcing a US acquisition to expand its packaging operations. Page 28

COMPAGNIE DU MIDI, French diversified insurance group, has offered to help resolve the deadlock in the controversial stock market raid launched by Georges Pebereau, former chairman of the French Compagnie Générale d'Electricité (CGE) group, against Société Générale, France's leading privatised commercial bank. Page 28

MITSUI OCEAN Development and Engineering, Japan's largest oil rig and marine projects specialist, is to cease business at the end of the year because of mounting losses and a decline in offshore energy exploration. Page 28

ISRAELI Treasury has launched a fresh, $2.25bn package of bond issues in the US market, recycling a large chunk of the country's foreign military sales debt to the US Government at lower interest rates. Page 28

BANK OF ISRAEL is urging an early devaluation of the shekel, possibly by as much as 15 per cent, to counter a surge of bad news for the economy. Page 3

THIS WEEK: UK trade figures for October will overshadow European financial markets this week with analysts fearful that another big deficit could undermine confidence in sterling. Page 23

Pakistan leader calls talks on poll results

By Christina Lamb in Islamabad

MR Ghulam Ishaq Khan, the acting president of Pakistan, has invited the leaders of Pakistan's two largest political parties to meet him separately tomorrow to discuss last week's general election results, in which no party secured an absolute majority in the National Assembly.

Mr Wasim Sajjad, the Justice Minister, said the acting president would see them separately "on questions relating to the formation of the future government."

He will hear both sides claim to be able to form the next government. It is not clear whether he will also discuss one compromise proposal currently being floated by some politicians for a grand national unity alliance between Ms Benazir Bhutto's Pakistan People's Party and the Muslim League, the main component of the Islamic Democratic Alliance led by Mr Nawaz Sharif. Under this proposal Ms Bhutto would be Prime Minister and Mr Sharif her deputy.

Ms Bhutto and her party are thought unlikely to accept such an idea, having suffered grievously during the Muslim League's rule under General Zia ul-Haq's 11 years of military dictatorship. But General Aslam Beg, the Army Chief of Staff, has already hinted at such a solution in a statement which renewed anxiety about the military's intervention in politics. He advised political leaders of the need to lay the foundations of a broad-based government.

Ms Bhutto's chances of becoming Pakistan's next prime minister outside a national coalition diminished following her Pakistan People's Party failure to win a majority in three of the country's four provinces in Saturday's provincial elections.

The results were a setback for the PPP, which emerged from Wednesday's general elections as clearly the largest party but without an absolute parliamentary majority.

In the provincial elections the party again swept the southern province of Sind, but found itself in a minority in the other provinces. The most important result was in Punjab, Pakistan's largest and most influential province, where the Islamic Democratic Alliance won a majority. In both Baluchistan and the North West Frontier Province the IDA was ahead.

Ms Bhutto has written to the acting President, claiming the support of enough independents to form a majority in the General Assembly, and asking him to let her form a government. However, the IDA also claims that it can muster a majority.

Political analysts in Pakistan estimate that with the non-co-operation of the Senate and three provinces, notably Punjab, Ms Bhutto would be a "lame duck" prime minister, unable to pass legislation or keep her party together.

However, a central government formed by the IDA would be on even shakier ground, hampered by a popular perception that the party was not the true election victor.

Editorial comment, Page 20

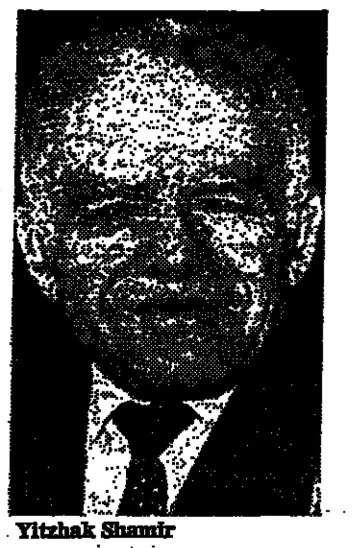
Egyptian support for Palestinian state may strain Israeli relations

By Tony Walker in Cairo and Andrew Whitley in Jerusalem

EGYPT yesterday formally recognised the independent Palestinian state declared by the Palestine National Council last week in a move which could have serious consequences for its 10-year-old Camp David accords with Israel.

A statement carried by the official Middle East News Agency said: "Egypt confirmed its recognition of the independent Palestinian state as stipulated. . . in the political statement issued by the PNC in Algiers."

The statement, revising an initial Egyptian position which stopped short of full recognition of the symbolic state, marked a further setback to Israel's campaign to counter the Palestine Liberation Organisation's political initiative and should clear the way for a visit to Cairo this week by Mr Yassir Arafat, PLO chairman.



Yitzhak Shamir

The move seems certain to complicate Egyptian-Israeli relations amid continuing efforts to form an Israeli coalition Government under Mr Yitzhak Shamir, the Likud leader. It may also have ramifications for the delicate issue of Taba, a tiny Red Sea enclave in dispute between Israel and Egypt. The two countries are due to resume talks this month on implementing the decision of an international tribunal earlier this year returning most of the area to Egyptian control.

The Taba beach resort, which Israel retained when it handed the rest of the Sinai back to Egypt following the 1979 peace treaty, has long been a source of friction between the two countries. Right-wing politicians in Israel are already demanding that Israel should refuse to hand Taba back because of Egypt's recognition of the independent Palestinian state.

In Jerusalem last night, the Israeli Foreign Ministry withheld substantive comment, saying that it had yet to be officially informed of the Egyptian position.

But Israeli politicians have been warning Cairo against recognition for several days, and Mr Shimon Shamir, the Israeli ambassador in Cairo, had only yesterday presented Israel's objections to the Palestinian independence declaration to Mr Esmat Abdel-Meguid, the Egyptian Foreign Minister. Mr Yitzhak Rabin, Israel's Defence Minister, said last week that such a step would contravene the Camp David accords of 1978 which led to the 1979 Egyptian-Israeli peace treaty.

Mr Yitzhak Shamir, the Prime Minister, insists that the autonomy procedure laid out in the US-brokered agreements should remain the starting point for future talks with Jordan and the Palestinians.

Continued on Page 22
EC to discuss Palestinian move, Page 3; Pressure for devaluation, Page 3

Opec deadlocked as Iran rejects quota proposal

By Steven Butler in Vienna

MINISTERS from the Organisation of Petroleum Exporting Countries last night appeared hopelessly deadlocked over the critical issue of bringing Iraq back into the Opec quota, as they prepared for this morning's conference.

Mr Gholamreza Aghazadeh, the Iranian oil minister last night again firmly rejected any formula that would give Iraq a production quota equal to that of Iran and said he would never concede this point. He said that he had been given full negotiating authority and would have no need to consult with the Tehran government before the meeting. Both Iran and Iraq now appear to have rejected all proposed compromise formulas for a new agreement.

Dr Subroto, Opec Secretary General, served notice at the weekend that the early meetings had failed to reach accord and that the ministerial conference may break up without reaching a new production agreement. "There is a good chance an understanding can be reached, but we have to be realistic enough that very likely we need some consultations with our governments," he said.

Failure to reach agreement would leave Opec members free to lift production when the current, much violated, agreement expires at the end of the year. Oil analysts expect this would quickly push oil prices down to single digits. Mr Aghazadeh has argued strenuously against the logic of succumbing to Iraqi pressure for an equal quota and has said that quota assignments must be based on principles that apply to all members. Iraq has for two years refused to accept any quota less than Iran's

While Mr Aghazadeh's arguments have won broad sympathy among Opec delegates, most Opec members simply want to reach any deal. Iraq has been intransigent, while the political situation in Iran is seen as fluid, thus offering possibilities for compromise. Iraq is understood to have rejected out of hand proposals that it accept a lower quota than Iran, with the difference being made up from Neutral Zone production, which is controlled by Saudi Arabia and Kuwait. Mr Aghazadeh last night rejected this.

After failing to obtain flexibility from Iraq, the Opec ministers have been trying to formulate a package that includes quota parity but that would still be politically palatable in Tehran. This is understood to include three elements:

- A reduction in Iraqi output to equal that of Iran;
- A binding Iraqi commitment not to exceed its quota even when its production capacity rises to 4m b/d next year;
- An Opec production ceiling of 18.5m b/d, which is lower than the ceiling sought by many Opec members.

Iran is traditionally a price hawk and favours lower production. The negotiations have put the Iranian minister in the difficult position of having either to accept the political humiliation of quota parity with Iraq or return to Tehran amid collapsing oil prices.

Canadians go to polls with Tories cheered by late swing

By David Owen in Montreal and Andrew Marshall in Toronto

CANADA goes to the polls today after a 50-day general election campaign, widely seen as one of the most volatile in its history.

Prime Minister Brian Mulroney is seeking to become the first Conservative in more than 100 years to be returned to Ottawa with a second consecutive majority. He is opposed by Mr John Turner's revitalised Liberals and the left-of-centre New Democratic Party (NDP) under Mr Ed Broadbent.

At stake is Mr Mulroney's still unratified free trade agreement with the US. The deal is to go into effect on January 1.

The agreement, which would eliminate virtually all remaining tariffs between the two countries over 10 years, has been the dominant theme throughout the campaign. It is bitterly denounced by both main opposition parties, which claim it could jeopardise Canada's social programmes and regional development subsidies, and that it impinges on Canadian sovereignty to an unacceptable degree.

The Conservatives have been encouraged by the findings of the three latest opinion polls – all published over the weekend – which indicate that the campaign may again be swinging their way after the remarkable mid-contest Liberal revival.

Gallup gave the Tories a five-point lead with the support of 40 per cent of decided voters, against 35 per cent for the Liberals and 22 per cent for the NDP. Less than a week ago, the organisation had showed the Conservatives and Liberals tied at 35 per cent, 10 points ahead of the NDP.

Angus Reid put Tory support at 41 per cent, against 33 per cent for the Liberals and 23 per cent for the NDP. Insight Canada Research pegged the Tory vote 2 points higher at 43 per cent, with the Liberals scoring 32 per cent and the NDP just 20 per cent.

The Conservatives appear to have benefited from Mr Mulroney's recent attempts to direct the electorate's attention away from free trade to leadership in general.

With 11 to 15 per cent of voters still undecided, the possibility of a further shift even at this late stage should not be

Continued on Page 22
Liberals take aim, Page 2

Burger King plan opposed

By Deborah Hargreaves in Chicago

BURGER KING franchisees yesterday voiced strong opposition to the way parent company, Pillsbury, plans to spin off the unit in an effort to fend off a $5.23bn takeover bid from the UK's Grand-Metropolitan group.

In a letter to Pillsbury management, a national group of franchisees spelled out their concern over the debt burden the spin-off would foist on Burger King.

The current plan would place "the economic interests of franchisees in jeopardy," the letter said, "because it so restricts the ability of Burger King to engage in future growth and reinvestment."

The letter came at the end of a week-long meeting of franchisees in which they also met senior Grand-Met executives. However, Mr Bill Pothitos, president of the franchisee group, stressed yesterday that the objection to Pillsbury's plans does not mean an endorsement of Grand-Met's bid.

"We had a very cordial meeting with Grand-Met people in which they stressed investment and growth," he said, "but it is almost impossible for us to evaluate the bid as we don't know if they would assign any debt to Burger King."

The 1,200 Burger King franchisees want independence without debt, Mr Pothitos insists – meaning they do not necessarily oppose a differently structured spin-off. The group could have recourse to a court injunction to hold up the spin-off procedure, Mr Pothitos believes, but no decision has yet been taken on court action.

Franchisees could put further pressure on Pillsbury by withholding royalty payments of some 4 per cent of annual sales. But any move to do so would be likely to be taken at a regional level, he continued.

Franchisees are worried that if Burger King is loaded with some $1bn in debt as a result of the spin-off – which involves the payment of a special dividend – the unit would be

Continued on Page 22

RJR studies three offers

By Janet Bush in New York

A SPECIAL committee of RJR Nabisco board members met in New York yesterday morning to evaluate three bids for the US food group. A special meeting of the full board was scheduled for yesterday afternoon.

A third bid was submitted late on Friday night by a group including First Boston, the Wall Street investment bank, and the Pritzkers, a Chicago business family which owns the Hyatt hotel chain. The group claimed that its offer was worth more than $100 a share, giving its bid a total value of more than $22.7bn.

This group has yet to find firm financing, however, and needs to look at RJR Nabisco's records, something which the other two bidders for the food company have already done.

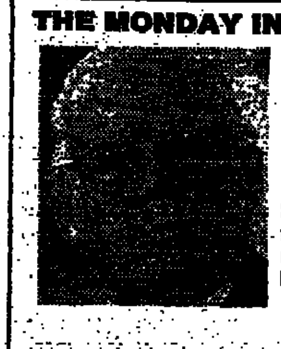
Lawyers for the two key bidding groups led by Mr Ross Johnson, RJR Nabisco's chief executive, and by Kohlberg, Kravis, Roberts, the New York leveraged buy-out specialist, delivered weighty bid documents close to the 5pm deadline last Friday. These bids are reported to be worth more than $92 a share each, valuing RJR Nabisco at $20.9bn, which would make either the largest corporate deal in history.

The special RJR Nabisco committee called in the management group and KKR on Saturday for meetings designed to clarify the two highly complex bids.

A bid too far, Page 20

CONTENTS

THE MONDAY INTERVIEW



Peter Wallenberg, head of the Swedish banking and industrial dynasty, strongly believes that industry must solve its own problems. "I don't believe one should run to the government at the drop of a hat." **Page 46**

OVERSEAS NEWS

Trade war fears grow as hormone issue unresolved

By Tim Dickson and David Buchan in Brussels

FEARS that a full-scale transatlantic trade war would erupt in the New Year were growing last night after week-end talks between the European Community and the US seemed to have failed to narrow differences over the simmering dispute on hormones.

Mr Clayton Yeutter, US Trade Representative, and Mr Richard Lyng, US Agriculture Secretary, made clear at a briefing in Brussels on Saturday that Washington would "retaliate accordingly" if the Community went ahead with its promised ban on $150m of hormone-treated beef from January 1.

US action, they said, would certainly involve the exclusion of up to $100m of European food and beverage products, and Mr Lyng indicated that the US might also invoke a section of the new trade act to keep out up to $450m of EC meat.

The war of words was continued at a news conference given by Mr Willy de Clercq, EC External Relations Commissioner, who asserted that the EC's embargo "can't be modified and shall not be modified."

He was not optimistic that the US could accept a new "political compromise", which he said had been explored during the talks. "They did not welcome it, they did not reject it," he explained, adding that Washington would give a definitive response by tomorrow at the latest.

If the answer were negative, Mr de Clercq said, he would ask the Community's foreign ministers at their meeting in Brussels this week to challenge the legitimacy of the US retaliation under the General Agreement on Tariffs and Trade (Gatt) and to draw up a list of EC counter-measures against $361m of US trade.

Officials on both sides believe the deepening of the hormone crisis is highly regrettable so soon after the US presidential election and before the "changing of the guard" respectively in Brussels and Washington in January. Even more worrying is the cloud which the issue may cast over the mid-term review in Montreal next month of the global trade talks known as the Uruguay Round.

The EC's blanket ban on all growth hormones in December 1985 came amid strong political pressure from the European Parliament and from consumer and environmental lobbies. The decision has consistently been contested by the US on the grounds, as Mr Yeutter said on Saturday, that "the safety considerations are not legitimate" and that the ban is effectively a "non-tariff barrier to trade".

Earlier confrontation was averted when Washington negotiated a one-year exemption for its meat exports when the prohibition came into effect within the Community in January this year.

Mr de Clercq would not disclose details of the EC's compromise but it is understood that the possibility of exempting US pet food exports and increasing the US quota on high-quality beef were discussed.

On the wider issue of farm policy reform in the Uruguay round, Mr Yeutter said that the choice was between "sporadically and traumatically" reducing farm supports, or doing this in a "methodic, reasoned and systematic way".

"We suggest the latter," he observed.

Mr de Clercq, however, said the US negotiation position in the Gatt talks – a commitment by all parties to the eventual elimination of farm subsidies – was a "complete non-starter."

The question of European subsidies for the Airbus consortium, meanwhile, proved less controversial during the weekend discussions. Mr Yeutter welcomed the intention of the West German Government to "privatise" its stake in the project but warned that the proposed exchange rate guarantees would be "an unfortunate precedent". If that occurred worldwide, "we will have another massive competition over subsidies," he said.

Crowd gathers to mourn Stalin's victims

Quentin Peel watches a memorial service at a mass burial site in a Moscow cemetery

IN the far corner of Moscow's Kalitnikov Cemetery, as the temperature dropped well below zero, about 300 people gathered yesterday to hold a memorial service at one of the mass burial sites of the victims of Joseph Stalin's reign of terror.

Nobody knows how many bodies may have been dumped there, once a gully on the edge of the cemetery, for modern graves now cover the area with heavy tombstones and elaborate railings in the Russian tradition.

Some have crosses and some do not. There are inscriptions to young men with medals, who may well have died during the war in Afghanistan.

Only a handful of bedraggled wreaths and a few candles spluttering among the snow-flakes marked the spot at the inconspicuous side entrance, at a gate in the concrete wall, where lorries drove up after dark to unload their gruesome cargo at the height of Stalin's purges in the 1930s.

Passers-by could read an ill-written sign: "To the eternal memory of the victims of Stalinism: a curse on the butchers". A middle-aged man and woman had met there by chance: he had lost his father, a leader of the Communist Youth League, in 1936; she had lost hers, a member of the Communist Party Central Committee, the following year.

A few uniformed policemen marked the way to the site of the ceremony, deep inside the cemetery, some carrying crackling radios, apparently uncertain whether they were supervising an official occasion or a dissident demonstration.

The service was conducted by Father Gleb Yakunin, a dissident Orthodox priest who spent years in exile during the more recent rule of Leonid Brezhnev. It marked the first open religious involvement in a Week of Conscience for the victims of Stalinism, intended to raise money for a national memorial to the millions who died.

The week has been organised by the outspoken reformist magazine Ogonyok, with Memorial, a movement that brings together strong supporters of perestroika within the ruling Communist Party, intellectuals, writers and former dissidents.

The week of events will include theatrical performances, concerts and lectures, with apparent support from the party, although it has not been mentioned in the official media. The idea of building a memorial – possibly to include a library and archives to record the atrocities of Stalin's purges from the 1930s till the 1950s – was approved by the extraordinary party conference last June and officially sanctioned by the ruling Politburo.

"The memorial is not only a monument. It is a warning," Ogonyok said in an editorial on Saturday. "All of us need it for moral purification.

"Our scores with Stalinism have not yet been settled, and it is early to think about forgetting this theme"

"The tragedy of millions of those who were made to suffer, the tragedy of the country drained of its lifeblood, the tragedy of wrecked lives and destroyed morality is our common disaster."

Not all the crowd in the Kalitnikov Cemetery yesterday were necessarily believers, although many held candles and joined in the mass.

Father Yakunin called for a monument to be build at the site of the mass grave itself. He said writers such as Anton Chekhov had monuments; there was a monument to the Unknown Soldier; so there should be a monument to the unknown victims of Stalinism.

A woman who spoke had spent 10 years in a labour camp. She went further: the monuments should displace those to Feliks Dzerzhinsky, founder of the Cheka, the forerunner of the present KGB, she said. The expressionless gentlemen, looking bored on the edge of the crowd, studied their snow-covered boots.

President Mikhail Gorbachev of the USSR and Mr Rajiv Gandhi, Indian Prime Minister, have said that another international conference may be needed to try to settle the war in Afghanistan, writes K K Sharma in New Delhi.

The statement came yesterday in a joint communique at the end of the Soviet leader's three-day visit to New Delhi, during which he warned the US and Pakistan of "grave consequences" for the Geneva accords on Afghanistan if those countries supplied more arms to the Moslem rebels fighting the Kabul regime.

The communique denounced the "obscurantist policy of certain forces which are violating the accord". Both leaders appealed to the UN secretary-general to implement the Geneva agreements so a "broad-based government" could be formed in Afghanistan.

Under the UN-mediated agreement, Moscow agreed to withdraw its troops by February 15. Half the 100,000 have already left, but Moscow has suspended the second phase of the withdrawal, saying the rebels had stepped up the war with fresh US arms supplied through Pakistan.

Mr Gorbachev also signed various agreements on economic co-operation with India, including the grant of a record roubles 3.2bn (£2.9bn) credit for projects to be undertaken in India. The most important of these are two nuclear reactors to be set up in the southern state of Tamil Nadu, each of 1,000MW capacity.

Solidarity's recognition call snubbed

THE Polish authorities appeared yesterday to be continuing to resist Solidarity's demand for legal recognition, despite a three-hour meeting which ended on Saturday between Mr Lech Walesa, the leader of the banned union, and Gen Czeslaw Kiszczak, the Interior Minister, Christopher Bobinski writes from Warsaw.

The meeting was the first the two men have had since the end of September, and the terse communique suggested that little progress was made on convening a long-awaited round table conference between the two sides.

It said the talks on eliminating differences between Solidarity and the authorities will be continued. The round-table initiative came from the authorities at the end of the summer amidst strikes in the coal mines and the Baltic ports.

The initiative aims at offering Solidarity a place in Parliament and other official bodies while opposing the movement's legalisation as a trade union. The Solidarity union, for its part, has been loth to join the conference without a prior declaration from the authorities that it will be legalised.

Pinochet threat to scrap plebiscite

General Augusto Pinochet has threatened to invalidate last month's plebiscite if the opposition does not accept the controversial 1980 constitution, Barbara Durr reports from Lima. The opposition has demanded changes in the constitution, which was approved in a highly disputed vote eight years ago.

Speaking in a southern city at the weekend to a women's organisation that supported his failed bid for another eight-year presidential period, General Pinochet said, referring to the opposition: "I ask them if they accept the constitution. They are silent. If they say 'no', the plebiscite is nullified."

The threat was emblazoned in a huge headline across the front page of the main opposition newspaper yesterday. One Christian Democratic leader, Mr Juan Hamilton, commented that General Pinochet's statement was motivated, "by his ambition for power and his inability to recognise and accept the will of the majority of Chileans."

General Pinochet accused the US of financing the opposition's campaign. "The Americans said they sent $1m, so they must have sent maybe $50m," he said. The US Congress did approve sending $1m for the voter registration drive earlier this year.

National movements gather pace

By John Lloyd in Moscow

THE MOVEMENTS for self-determination in the Soviet Union's dissident republics continue to gather speed. President Mikhail Gorbachev returned from his state visit to India yesterday to face potential nationalist flashpoints.

In Armenia, where a further wave of strikes last week is reported to have subsided, the republic's Supreme Soviet will debate tomorrow the still explosive issue of Nagorno-Karabakh, the Armenian-majority enclave in neighbouring Azerbaijan.

That majority's demands for special autonomy within Azerbaijan have been refused by Moscow, but its embattled position amid a hostile Moslem Azeri population has created an Armenian movement at odds with both the central government and the Armenian communist leaders.

The Armenian Supreme Soviet called again last week for Nagorno-Karabakh's right to secede from Azerbaijan. One possible compromise, now being touted in Yerevan, the Armenian capital, is for the area to be granted the status of a full republic.

The trial of three Azeri men – charged with murder, pogroms and arson against Armenians in the Azerbaijan city of Sumgait this year – has ended in Moscow with one of the three, Akhmed Akhmedov, sentenced to death. The trial, little reported in the Soviet press (the sentence has yet to be reported at all), was marked by descriptions of horrific burning and beating.

The cases of other two men – Y. Djafarov and I.Ismailov – have been sent back for further evidence. This is interpreted as indicative of the supreme court's desire to broaden the charges to include other people.

The party leaders in Yerevan are now increasingly undermined by the banned Karabakh Committee, made up mainly of Armenian intellectuals, which is growing in power and authority. Links have been forged with the national fronts of the Baltic republics. Speakers from these have addressed Armenian meetings to acclaim.

The response within the Moscow press to the decision last week by the Estonian Supreme Soviet to retain a right of veto over legislation passed by the Soviet central government has been wholly hostile.

Argentine judge orders autopsy on Onassis death

By Our Foreign Staff

THE curse that seemed to hang over Aristotle Socrates Onassis has struck again, with the death in Argentina of the late shipowner's daughter, Christina, at the age of 37.

An Argentine judge yesterday ordered an autopsy, describing as "questionable" the circumstances in which she died.

She was found unconscious at a friend's Buenos Aires home on Saturday morning, and pronounced dead, apparently of a heart attack, on arrival in hospital.

Christina's infant daughter Athina is now the only living descendant of Aristotle Onassis, the "Greek boy who knew how to do his sums" and became the archetype of the playboy tycoon.

He died in 1975, never having recovered from the loss of his son Alexander in a plane crash two years earlier.

Christina's aunt, Mary Onassis, said in Argentina that Christina could not have taken her own life.

She had come late to a happiness which seemed to elude her in four unsuccessful marriages, the most recent to French pharmaceuticals heir Thierry Roussel, the father of Athina.

The Onassis fortune, variously estimated at between $400m (£250m) and $1bn, was divided equally between Christina and a charitable foundation, set up in memory of Alexander.

The Onassis group consists of a web of companies with offices in Monaco, London, New York and Piraeus, with 26 vessels: 12 tankers, with a total deadweight tonnage of 2.1m, and 14 bulk carriers.

Christina is to be buried on her family's Greek island of Skorpios, with her father and brother – returning to a country which in recent years seemed to spurn her, and where she had quarrelled with the Government over tax.

The Onassis link with Greece had become tenuous in recent years, as the groundswell of populist leftism that swept Dr Andreas Papandreou to power, and resentment over dealings between the shipowners and the military junta, eclipsed the pride Greeks once felt in having some of the world's richest men.

Call for action on US budget deficit

By Janet Bush in New York

THE GENERAL Accounting Office, the independent US Congressional watchdog, added its voice to calls for direct action to cut the US budget deficit, including spending cuts and tax increases.

In a strongly-worded report published at the weekend, the GAO rejected the solutions suggested by President-elect Mr George Bush during his election campaign and warned that a failure to seize the initiative would result in putting the nation's economic future at risk.

It urged a bipartisan effort to reach compromise on the deficit, said that all parts of the budget should be subject to negotiation and scoffed at the notion perpetrated by the Bush team that the deficit could be tackled without raising taxes through a flexible freeze on spending.

It also suggested that there would have to be cut-backs in military spending.

Close-run Canadian poll arouses unaccustomed passions

Passion and Canada rarely meet. People do not wear their hearts on their sleeves in what is sometimes called the Switzerland of North America, Andrew Marshall writes from Toronto.

Only in the last month has excitability has become the order of the day. Hecklers have hurled abuse, accusations of treason have flown, and quickfire insults exchanged. The country has become suffused with a native brand of moral indignation, laced with hyperbolic patriotism, as it prepared for the election today.

The free-trade deal with the US has prompted much of the mud-slinging and breast-beating.

Yet the merits of free trade itself are only indirectly to blame. Many Canadians confess not to understand the deal, and opinion polls on the subject seem to shoot up and down. Debate on the niceties of the agreement is conducted almost entirely in terms of black and white, when most observers agree it is more fairly characterised in half-tints.

Canada's party leaders are unlikely generators of excitement. Yet Mr Brian Mulroney, Conservative Prime Minister, has gone to the extreme of dragging his 77-year-old mother into the campaign ("Would I take away her pension?", he asked rhetorically) and involving his three-year-old son in campaign appearances.

At the other end of the short spectrum are the New Democrats, led by Mr Ed Broadbent. Many Canadians profess admiration for Mr Broadbent, largely because he has no chance of winning, which for Canadians is endearing. The Conservatives tried to characterise him as "very scary", which is roughly equivalent to confessing to a phobia of rabbits.

The Liberals are led by Mr John Turner, to whom uncharitable souls ascribe some of Walter Mondale's qualities. Perhaps they mean the Norwegian charisma.

If the detail of the free trade deal is not understood, its broad thrust is. The agreement exposes all of the raw nerves in Canadian culture.

The easiest "hot button" for opponents of the deal is simply the existence of the monster to the south. "George Bush wants a kinder, gentler country. It's called Canada," reads one placard.

Each comment from the US has been gleefully pounced on by the opposition as evidence of intervention in Canadian affairs, including President Ronald Reagan's innocuous speech about trade last week. A Wall Street Journal editorial, branding Mr Turner as an economic nationalist in the style of Perón of Argentina, met a swift response: "Don't cry for me, Wall Street Journal."

Free trade has exposed the divisions between Canadians. Relations between francophones and anglophones, never easy, have deteriorated during the election, to the benefit of the bilingual Mr Mulroney.

A French-Canadian journalist characterised the anti-Mulroney forces as "the Toronto intelligensia burning with anti-American fever" and attacked English "puritanism" as expressed over Mr Mulroney's extensive collection of Gucci shoes.

Perhaps the most telling element of the free trade pact is the way it exposes Canadians' insecurity about themselves. There is a deep-seated fear about the resilience of national institutions. "Canadians are forever taking the national pulse, like doctors at a sickbed," says the Canadian author Margaret Atwood.

In the Toronto Star yesterday, a cartoon showed a small quivering beaver, contemplating free trade: "Maybe we'll all be turned purple with pink spots," he moans. "Maybe we'll all become Mickey Mouse clones! Maybe we'll all become rock-and-rolling cultural illiterates! And maybe they'll take away our hockey sticks!"

Liberals take aim at a range of Ontario targets

David Owen looks at ridings John Turner must win to deny the Conservatives a second term

THE LEAFY and well-heeled Toronto residential district of Rosedale has little in common with suburban York-Simcoe, an area of rich farmland and sprouting neo-Gothic housing estates.

Likewise, the downtown crossroads of Yonge and Eglinton (also called young and eligible), heartland of Toronto's singles scene, bears scant resemblance to the peach-growing township of Grimsby on the shores of Lake Ontario.

Yet each of these diverse communities shares at least one salient characteristic for the purposes of the Canadian general election today. They all are in the middle of ridings (constituencies) which the opposition Liberals must win if party leader Mr John Turner is to have a realistic chance of heading the next Government.

The Liberals are confident that they have the edge in powerful and populous Ontario – with 99 of the 295 seats in contention – despite recent opinion polls indicating a resurgence of Conservative support.

For one thing, the province is among the staunchest opponents of Prime Minister Brian Mulroney's pending free trade agreement with the US. Ontarians fear that the elimination of tariffs outlined in the pact would prompt the closure of many US-owned branch plants and damage the local soft fruit and wine industries. The agreement has emerged as by far the dominant campaign issue.

For another, Ontario now has a majority Liberal provincial government for the first time in 50 years. Mr David Peterson, the province's popular premier, was decidedly lukewarm in his support for Mr Turner in the campaign's early days, when both national leader and party were struggling, but he has changed his tune in the wake of their recent improvement. Mr Peterson is one of two provincial premiers who oppose the trade deal.

The Liberals need to win about 60 per cent of Ontario's seats to compensate for sparse support in the prairie provinces and British Columbia. This could prove a tall order.

Ontario has enjoyed an almost unprecedented burst of prosperity since Mr Mulroney strode to power four years ago. It also boasts an immensely powerful business and financial services lobby, which is working hard to promote the trade deal.

In addition, the Liberals have to contend with the left-of-centre New Democratic Party (NDP), which will attract part of the anti-free-trade vote, particularly in urban areas. According to the latest Gallup poll, the NDP is favoured by 21 per cent of Ontario voters.

John Turner

Brian Mulroney

So victory in such ridings as Rosedale, York-Simcoe, Lincoln and St Paul's is critical if Liberal ambitions of frustrating Mr Mulroney's bid for a second consecutive majority are to be realised.

In Rosedale, Mr Bill Graham, a 49-year-old law professor with strong local roots, faces the daunting task of overturning a 12,000-vote Conservative majority. This task has been made easier by the retirement of Mr David Crombie, the well-known Conservative incumbent and a former mayor of Toronto.

However, Mr Crombie has been succeeded by another high-profile candidate, Mr David MacDonald, once Communications Minister and ambassador to Ethiopia. The result may hinge on how many of the riding's less affluent constituents turn out to vote.

York-Simcoe is the former bailiwick of Mr Sinclair Stevens, the disgraced former Industry Minister whose majority in the last election was a commanding 18,000 votes.

His disappearance from politics has left a comparatively weak Conservative candidate, Mr John Cole, to defend the riding against the vigorous Liberal candidacy of Mr Frank Stronach.

The Austria-born Mr Stronach has made a name for himself as an entrepreneur by building his company, Magna International, into a C$1.2bn-a-year (£540m) automotive parts enterprise. He is not universally popular but (with his white Newmarket mansion) is so well-recognised that it will be surprising if he does not win.

Mr John Munro, Liberal candidate for Lincoln (Grimsby's riding), is scarcely less of a national figure, having held Hamilton East for 22 years before his "retirement" in 1984.

He will benefit from a hefty disaffected grape-grower vote but the aggressive Mr Munro faces two substantial barriers in his path to Ottawa: a Conservative majority of 11,000 and Ms Shirley Martin, the new Transport Minister.

Although there are suspicions that Ms Martin's elevation to the cabinet – days before the election call – was partly to improve her chances in the current contest, she has quickly established a reputation as an able and hard-working MP. Assuming a strong turnout for Ms Martin in industrialised Stoney Creek, the race will be exceptionally tight.

The closest confrontation of all may well take place in Toronto St Paul's. This pits Ms Barbara McDougall, the high-flying cabinet minister, against Ms Aideen Nicholson, a Liberal MP for 14 years in the now defunct riding of Trinity.

Ms McDougall is pinning her hopes on solid support for free trade in affluent Forest Hill.

Ms Nicholson's chances of springing an upset reside in her own formidable reputation

In the words of Ms Cathy Kozma, Ms Nicholson's campaign manager, the outcome will be "a matter of who has the best organisation on the ground on Monday".

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OVERSEAS NEWS

Ethnic Albanians show support for party leaders

By Judy Dempsey in Prishtina, Kosova

SEVERAL THOUSAND ethnic Albanians yesterday demonstrated in Kosovo, Yugoslavia's troubled province, to demand the reinstatement of their party leaders.

Defying a snow blizzard and led by an ethnic Albanian carrying a portrait of the late President Tito, they called for the reinstatement of Mrs Kacusa Jasari as party leader and Mr Azim Vlasi to the politburo.

Mrs Jasari, who came under mounting pressure from Serbian nationalists and Mr Slobodan Milosevic, the powerful party leader of Serbia, resigned last Thursday evening.

But unexpectedly ethnic Albanians came out in their thousands over the weekend in support of her and Mr Vlasi.

Waving the Kosovo red flag with their black double-headed eagle and yellow star, the Yugoslav flag and portraits of Tito, the demonstrators yesterday gathered outside the party's central committee building in Prishtina, the provincial capital.

Throughout the day, the Kosovo party leadership along with two member of the federal politburo had met to discuss the growing tension and demands of the Albanians.

As the afternoon wore on and without any conclusion of the meeting, the increasingly frustrated crowds swelled to their thousands as they made their way down through the centre of Prishtina.

Chanting "Vlasi, Jasari, Vlasi, Jasari," they called on Mr Stipe Suvar, Yugoslavia's party leader, to come to Prishtina and talk to them.

As the crowds marched down past shops draped with the Kosova flag and on past the university buildings, people from the apartment blocks clapped. The demonstrators shouted up to them and said, "join us, join us."

After a look around the two kilometre long main road leading out from Prishtina, the demonstrators made their way back to the central committee building.

These demonstrations clearly signal a major shift in the recent wave of ethnic tensions between the Serbs and Albanians.

"The ethnic Albanians are reawakening politically," one Albanian engineer commented.

The protests and marches came after months of provocative demonstrations by nationlist Serbs and blistering attacks on the Kosovo leadership by Mr Milosevic, who accused them of not doing enough to protect the Serbian and Montenegran minorities from alleged intimidation by the ethnic Albanian majority.

Ethnic Albanian miners with the Albanian national flag protest against what they view as a purge of local leaders in Yugoslavia's Kosovo Province.

Hussein uges PLO place at peace talks

KING Hussein of Jordan said yesterday that the Palestine Liberation Organisation has met US conditions for a place in Arab-Israeli peace talks and suggested Israel and the United States were blocking peace, AP reports from Amman.

The King made the comments in an interview on CBS-Television's "Face the Nation" programme. The interview was screened on state-run television in Jordan, which shares Israel's longest border.

"I believe the PLO has gone as far as it was asked to go, and has contributed its share for progress towards a just and comprehensive peace," he said.

Israel for years has pinned its peace hopes on a separate deal with Hussein, cutting out the PLO. But Hussein insists that the PLO must take part in any Middle East settlement.

The PLO's policy-setting Palestine National Council last week endorsed UN Security Council resolutions 242 and 338, implying recognition of Israel's right to exist, and ruled out military actions beyond Israel and territories it occupies.

"I believe they have denounced terrorism time and again," he said. "They repeated that recently. They accepted 242 and 338, and this is what they were asked for. I believe that if there is any intransigence, and there is indeed, it is in the Israeli position, which hasn't changed, and up to now the United States' position."

Asked if PLO chairman Yasser Arafat, a moderate within his fractious organisation, had enough support to move forward, the King said: "He obviously has the support to enable him to come this far and this far is what he was asked to achieve."

EC to discuss Palestine move

By Andrew Gowers, Middle East Editor

EUROPEAN Community Foreign Ministers will today discuss ways of building on last week's policy statement by the Palestine National Council which implicitly recognised Israel.

At a two-day meeting in Brussels, the ministers aim to draft a communique welcoming what they see as new signs of moderation on the part of the Palestine Liberation Organisation, and reiterating their support for an international peace conference on the Middle East.

The statement will highlight the contrast between the response in Europe and that in Washington to last week's PNC declaration, which proclaimed an independent Palestinian state and accepted UN Security Council Resolution 242 as a basis for peace talks.

The Reagan Administration said last week that the PNC statement was too ambiguous to justify direct dialogue between the US and the PLO.

But EC Governments have gone out of their way to underline the positive elements in the Palestinian statement, and Mrs Margaret Thatcher, Britain's Prime Minister, urged President-elect George Bush to look carefully at the decision.

"When it looks as though they (the Palestinians) are going in the right direction, if you don't encourage them, you don't get further moves," Mrs Thatcher said after talks in Washington with Mr Bush.

As permanent members of the UN Security Council, Britain and France in particular will be looking for ways of advancing the cause of an international conference, though British officials are under no illusions about the difficulties, given the apparent hardening of Israel's stance following the November 1 election.

Mr Roland Dumas, the French Foreign Minister, has said that the Algiers decision removed "one of the most serious obstacles" to mutual recognition by Israel and the PLO.

Italy, West Germany and Britain have all made similarly encouraging comments.

Although they will not recognise a "state" that has no boundaries, territory or government, they are all conscious that the PNC statement – in referring to Resolution 242 and Palestinian national rights – comes close to the formula originally adopted in the EC's 1980 Venice declaration: that the Palestinian people should be enabled "to exercise fully its right to self-determination".

The one EC member-state that has indicated it plans to recognise the PLO state is Greece. Foreign Ministry officials in Athens indicated last week that Greece, which has no diplomatic relations with Israel, was considering a simultaneous recognition of both Israel and the Palestinian state, a move of which other members of the 12 are unlikely to approve.

● Palestinian leaders of an 11-month-old uprising against Israeli rule in the West Bank and Gaza Strip praised the PLO yesterday for declaring an independent state, Reuter reports from Jerusalem.

The underground leaders, who support the Palestine Liberation Organisation, issued their first leaflet since the Palestinian parliament-in-exile proclaimed a state.

The communique said it "blesses and supports" the PLO for successfully turning the revolt into political gains.

The 1.7m Palestinians of the occupied West Bank and Gaza observed a general protest strike on Saturday. Security forces shot and wounded at least 10 Palestinians in street battles.

Israel Radio said at least 37 countries had now recognised a new Palestinian state.

Run on shekel brings devaluation pressure

By Andrew Whitley in Jerusalem

THE BANK of Israel is pressing for an early devaluation of the shekel, by as much as 15 per cent, to counteract a recent surge of bad news for the national economy.

A rush of foreign currency purchases by Israeli business and the general public has increased speculation and added to the pressures on the Government. However, stern opposition to the move is coming from the Treasury and the Prime Minister's Office.

Withdrawals of foreign currency from commercial banks have been running during the past few weeks at the equivalent of up to $50m a day, draining the country's reserves at a worrying rate. Meanwhile, a related liquidity shortage at the banks has pushed up already high domestic interest rates, by 50 per cent above market levels that were prevailing as recently as September.

After official forecasts that private-sector growth this year is unlikely to crawl much above zero, compared with more than 8 per cent in 1987, latest unemployment figures show a jump to a two-year high of 6.9 per cent. Israel is traditionally a society of full employment.

Government economists are most alarmed at the signs that, despite a tight monetary policy, inflation is again on an upward curve.

The figure of 2.4 per cent last month from the Central Bureau of Statistics was a shock, ensuring as it did that 1988 inflation would exceed the 16.1 per cent of last year. To bring inflation down to less than 10 per cent, and thus break the cycle of domestic price increases followed by currency devaluations, has been the prime goal of the economic authorities in Jerusalem for the past two years.

What appears to have forced the hand of Professor Michael Bruno, central bank governor, and reversed his earlier opposition to a devaluation without other economic measures, is the run on the shekel now gathering strength.

At the end of last week, the black market rate for the US currency had opened a 20 per cent margin over the official bank rate. Despite the market's views, Mr Moshe Nissim, Finance Minister, is trying to delay any move until 1989, so the next Government can settle in and assess the situation.

By devaluing now, the Treasury argues, the Government could simply exacerbate inflation through higher wages and prices.

Leading exporters are now backing the Finance Ministry's position. An end-of-year alteration in the exchange rate would do nothing for exports already contracted, while damaging balance sheets.

Official calls for end to Tokyo taboo on hostile takeovers

By Gordon Cramb in Tokyo

A SENIOR Japanese industry official called at the weekend for a greater acceptance of hostile corporate takeovers in the domestic market, suggesting that the country's taboo on unsolicited bids might be hampering economic efficiency.

Mr Kazuo Nukazawa, a managing director at the Keidanren, the powerful federation of economic associations, argued: "A hostile takeover, in substance, is just a management-resisted takeover. Whether it is good or bad for the host nation's economy can only be judged case by case."

His comments are the clearest indication yet from the mainstream Japanese private sector that the cosseting of badly performing or otherwise vulnerable companies by banks and other friendly shareholders may begin to decline.

He warned that the current acquisition spree by Japanese companies overseas might cause problems of reciprocity, and predicted that, in any event, it would "influence the domestic business scene and . . . lead to across-the-board changes on the home ground."

Writing in the English-language Japan Times on Saturday, Mr Nukazawa said: "Americans believe introducing new management into a company can be advantageous for both the company and its shareholders. From this point of view, the Japanese corporate world and the national economy are putting themselves at a disadvantage because poor management survives serious errors."

Japanese companies have spent well over $10bn (£5.5bn) in foreign acquisitions so far this year, mainly in the US. Although all but a few of the deals have been struck on an agreed basis, purchasers have commonly accumulated an advance – and uninvited – shareholding in the target company to press their case.

Within Japan, however, such activity is confined to a small and widely shunned band of greenmailers who seek merely to be bought out at a profit. The largest of these corporate raiders, Nihon Land, collapsed last month with debts of Y156bn (£700m)

Those at the forefront of developing Japan's embryonic mergers and acquisitions (M&A) industry remain for the moment anxious to avoid any hint of predation. Mr Mitsuo Goto, president of Nomura Wasserstein Perella, a Tokyo-based venture linking the world's largest stockbroker with a new and aggressive Wall Street "boutique" firm, said they would not introduce all those skills into Japan because merger activity there "relies on human trust".

The Keidanren official, in his article, also cautioned that, to be successful in the long run, any takeover needed the support of other "stakeholders" in a company – among them its workforce, suppliers and the local community.

Criticism of takeover restrictions, rare as it is in Japan, might be expressed in milder terms if aimed at a Japanese audience. Also, although Mr Nukazawa urged that "any remaining government regulations and other administrative barriers should go".

Conservative formula for Hong Kong

By Michael Marray in Hong Kong

MAINLAND Chinese officials and representatives from Hong Kong have produced a conservative formula for the introduction of democracy to the territory.

They propose that at least the first three chief executives after sovereignty has reverted to China in 1997 be chosen by a grand electoral college rather than through universal suffrage.

A political review would then follow. This could make for the introduction of universal adult suffrage in time to elect the fourth chief executive, in 2012.

The proposal was adopted during a round of talks this weekend in the Chinese city of Canton, where the political sub-group of the Drafting Committee of the Basic Law has been meeting.

Public consultation on the first Basic Law draft ended in September, and the delegates are now preparing a second draft of the post-1997 mini-constitution for the territory. This version will be released for consultation next spring but few big changes are expected from that process so the current talks would be crucial.

Opinion is divided in Hong Kong over the way to select the chief executive and legislature of the government of the future Special Administrative Region (SAR) which is to run Hong Kong after 1997.

At present no direct elections are made to the Legislative Council, whose members are appointed or chosen by groups of professionals such as doctors and lawyers or through electoral colleges. The governor, the current chief executive Sir David Wilson, is appointed from London.

OVERSEAS NEWS

EC looks for social dimension to single market

Brussels is aiming to reassure workers fearful of cross-border mergers, **David Buchan** writes

THE European Commission has been issuing warnings about possible popular resentment of a single EC market if it is seen to be purely for the benefit of business. Hence the need, it argues, for a "social" dimension to the internal market, to reassure workers fearful of unemployment as the result of a rush of cross-border mergers and rationalisations.

Another possibility, says the Commission, is a revolt of citizens angry that intra-EC travel is being made easier for products than for people. In its half-way internal market progress report this month, the Commission *said: "It is becoming increasing difficult* – in political terms – to explain to the citizens of Europe why such effort is being made to enable goods to move freely across frontiers while no such equivalent effort is being made for people".

The 12 EC states committed themselves, in the Single European Act, to create an area "without internal frontiers, in which the free circulation of of goods, people, services and capital is ensured". Nothing in this commitment has proved harder to carry out than reducing, let alone abolishing, frontier checks on people.

Frontier checks create convenient bottlenecks to check whether travellers are illegal immigrants, drug traffickers, arms smugglers or terrorists. No member state is ready lightly to dispense with them. However, the Commission knows that, if intra-EC border checks are retained for one purpose (security), they will be kept for all other purposes (taxation, for instance).

The new European passports now being issued are a red (or maroon, for that is their colour) herring. They merely embody a common format for national passports. They do not create a passport union of the 12, inside which there would be no passport checks.

Such a passport union, though, requires *the 12 to* agree common policies on immigration, visas and asylum for third-country nationals, and common ways to combat terrorism and trafficking in drugs and arms. Such agreement is complicated by the fact that member states regard such foreign policy or police matters as mainly outside Community competence.

Bluntest opposition has come from Mrs Margaret *Thatcher. In her speech this* year at Bruges, the British Prime Minister said it was "plain common sense that you can't abolish frontiers and at the same time deal with drugs and terrorism". Underlying her attitude may be worries about loss of political sovereignty.

The UK is not the only country that wants to retain the effect of the natural barriers afforded by geography. Another is Greece, without a land border with another part of the Community.

Denmark is already in a passport union with its fellow Nordic countries. This puts it in a different category to the two small passport unions inside the Community (those of the UK and Ireland, and of the three Benelux countries). A passport union of the 12 would mean Copenhagen breaking its long-standing Nordic commitments.

Entering a passport union means trusting *in other* countries' immigration and customs officers. France in particular has called for an improvement in the Community's external border controls, while taking unilateral action – in autumn 1986 – to require entry visas for all non-EC nationals bar the Swiss. In doing so, it withdrew from a convention among members of the Council of Europe (including several non-EC states) for mutual *abolition of visa requirements.* In retaliation, Scandinavian countries and Austria are likely to block the bid of Mrs Catherine Lalumière, a former French minister, to become Council of Europe secretary-general next year.

This is the state of progress, or lack of same, on the five prerequisites for an EC passport union:

● The "immigration group" (officials of the 12, plus a Commission observer) has worked out a "negative" list of about 50 countries whose nationals, the 12 all agree, must have visas before entry to the EC. However, they have yet to agree a "positive" list of countries which they all agree should be free of visa requirements.

● The same group is at work on a common asylum policy. The issue here is not so much that of common criteria for judging asylum-seekers (these exist in various UN conventions), as of working out which EC state must consider the request for asylum.

The fear is of "refugee tourism, in which refugees travel around making successive asylum requests and staying in the Community for years," says one official. Tension exists between "natural recipient" countries, such as those in southern Europe, and "natural destination" countries such as those in the richer north. West Germany's position is further complicated by its *constitutional award of a right to* citizenship for all East Germans.

● The Brussels Commission has proposed that the 12 harmonise their policies towards the purchase and possession of firearms, but little progress has been made, mainly because of the opposition of France and Belgium which have markedly more liberal policies than the others.

● In its original 1985 internal *market* white paper, the Commission promised an anti-drug proposal, but has since decided to leave this work to other agencies. The chief of these is the so-called Pompidou Group (named after the late French president) of the Council of Europe. Although less supranational than the EC, the Council of Europe has long had a remit in the judicial field. The main thrust of the group, now under UK chairmanship, has been to use bank disclosure to prevent the laundering of drug money.

● The "Trevi" group of EC interior ministers (meeting without a Commission presence) has been holding discussions for several years to improve police co-ordination against terrorism and international crime. This group will examine West German Chancellor Helmut Kohl's recent call for a European equivalent of the US Federal Bureau of *Investigation. All EC states* agree that pooled police intelligence is necessary – the question (raised by the UK) is whether it would ever be enough to dispense with frontier checks.

If you cross frontiers between the Benelux countries, France and West Germany, you notice the checks are somewhat less rigorous than elsewhere in the Community. This is due to the 1985 Schen*gen agreement* under which these five countries undertook, as a first stage, to reduce routine controls to random spot checks, and as a planned second stage to abolish all controls by 1990.

To benefit from this, your car has to carry a green disc with a big E. To get that sticker, you must assert that all passengers in the car are Community nationals abiding by rules on duty-free goods and foreign exchange.

So far, application of the Schengen agreement has been rather half-hearted. It might become whole-hearted, Commission officials say, if the effort to create a passport union for all 12 EC states were to fail.

1992 THE EUROPEAN MARKET

'Tests ahead' for Bush in world finance markets

By John Wyles in Rome

THE US made the right choice in preferring Mr George Bush to Mr Michael Dukakis, but the new president faces severe *tests in world financial* markets and in preventing developments in eastern Europe provoking new crises in East-West relations.

Those were some of the views at a conference in the starkly beautiful great hall of the Palazzo Salimbeni, the headquarters at Siena of the Monte dei Paschi Bank, which attracted an illustrious array of European and American figures from business, finance and foreign policy studies.

The conference also heard that, while the continuity of foreign policy offered by Mr Bush's election was a positive factor, the absence of clear indications of how he will deal with the twin US deficits – oftrade and budget – was definitely negative.

Lord Roll, chairman of Warburg merchant bank, called for a "perestroika" for the US which would reduce the deficits.

Progress would take a long time to achieve but "markets don't wait and very soon they will form a view, rightly or wrongly, of what the US administration is going to do, and this will influence the exchange rate and the volatil*ity of the dollar,"* said Lord Roll.

Mr David Rockefeller, former chairman of Chase Manhattan Bank, lamented Mr Bush's campaign rejection of any tax increases as a means to reduce the budget deficit. "It is difficult to see how he can deal with the deficit without some kind of revenue enhancement," added Mr Rockefeller, who argued strongly for an increase in petrol taxes.

Mr Gianni Agnelli, president of Italy's Fiat Group, thought that Mr Bush's US east coast background promised a continuing priority for trans-Atlantic relations. US nervousness about the European Community's internal market programme was "inevitable", said Mr Agnelli, but concern about the supply of credits to eastern Europe was less necessary.

The Europeans did not intend to make it easy for Moscow to maintain defence spending at current levels, and technology transfers to the USSR would depend on the rate of defence cuts, Mr Agnelli added.

Mr Henry Kissinger, former US Secretary of State, stressed his conviction that eastern Europe would become the "crucial issue of the next decade". The problem had to be discussed with Moscow "with delicacy and respect" because a *reduction* in East-West conventional arms capabilities would inevitably reduce "the Soviet capability to repress eastern Europe".

Mr Kissinger was strongly critical of the way in which President Mikhail Gorbachev of the USSR had become a personal repository of all hopes about the future of East-West relations. "Every Soviet leader has disavowed his predecessors – individualising foreign policy means creating conditions which will lead to disappointment," he warned.

The challenge for Mr Bush would be to adjust US foreign policies to a world in which a far greater number of powers has a role to play than ever before. Declaring that Mr Bush "is the only man who can do it," Mr Kissinger added that the task was a huge one because "there are certainly isolationist temptations in America today."

Italian railway chiefs under pressure to quit

By John Wyles

SENIOR management in the Italian State Railways is coming under intense political pressure to resign. This follows the eruption of the "golden sheets" scandal over alleged improprieties in the award of a contract for supply of bedlinen.

Magistrates have issued six arrest warrants against senior railway managers, and one against Mr Elio Graziano, a former chairman of the Avellino soccer club, who is already being investigated in connection with alleged fraudulent expenditures on the earthquake reconstruction programme in southern Italy.

The railways president, Mr Ludovico Ligato, is to be questioned by magistrates this week about the "golden sheets" affair, as is the director-general, Mr Giovanni Coletti.

Mr Ligato has already been severely criticised for his inability to curb the state railways' heavy and increasing losses.

Amid signs that his Christian Democratic party is abandoning its support for him, it is thought likely that Mr Ligato and the entire rail board may have to bow to calls for their resignation from the Communist and Socialist parties.

However, neither of those parties is free of embarrassment. Mr Coletti and another Socialist nominee to the rail board are under investigation, as is a Communist member.

The "golden sheets" affair was brought to the notice of magistrates by a company which had not been invited to tender for the supply of disposable bedding for sleeping cars.

The contract, for L152bn was awarded to Mr Graziano's company, Idaff, in May last year at inflated prices, it is alleged.

SHIPPING REPORT

Demand for crude oil tankers increases

By Lynton McLain

DEMAND for crude oil tankers increased last week amid further evidence that Saudi Arabia was again the main supplier of oil.

Some tanker charterers had difficulty in finding sufficient tanker capacity. A number of large vessels had already been chartered from Rastanurah by one large group at charter rates higher than those paid in October. Galbraiths, the London ship broker, said the graph of charter rates was still on an upward trend so far this month.

Several charterers are looking to the imminent meeting of the Organisation of Petroleum-Exporting Countries for relief. Galbraiths said it was surprised that tankers were being chartered forward at higher levels instead of waiting for the outcome of the Opec discussions.

The bulk of chartering of very large crude carriers has already been arranged and there may be no more VLCC charter business this month. There are only 10 to 12 vessels available for loading this month in the Gulf.

Tanker tonnage for December is already being taken up, with ultra-large crude carriers obtaining Worldscale 49/50 for voyages from the Gulf to the West, and VLCCs about Worldscale 55 for similar voyages.

One large US oil company had to concede Worldscale 80 to secure tanker capacity in the Gulf/Red Sea market.

In North Sea markets, 80,000-ton vessels were in demand and rates "zoomed upwards to about Worldscale *110 for early loaders on short* voyages," Galbraiths said.

In the dry cargo market, Panamax vessel trades were quieter at the start of last week than at any time for the past six or seven weeks.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		Sept '88	Aug '88	July'88	Sept '87
US ($bn)	exports	27.441	26.536	25.098	21.184
	imports	37.939	39.370	37.084	35.159
	balance	-10.498	-12.831	-11.986	-13.975
Japan (US$bn)	exports	22.244	21.850	21.670	19.233
	imports	14.398	14.322	14.433	11.523
	balance	+7.846	+7.528	+7.237	+7.710
UK (£bn)	exports	7.561	6.748	6.775	6.962
	imports	8.621	8.561	9.427	8.378
	balance	-1.060	-1.813	-2.651	-1.416
W. Germany (DMbn)	exports	46.340	49.570	49.470	44.650
	imports	36.170	38.180	37.190	34.220
	balance	+10.170	+11.390	+12.280	+10.430
France (FFrbn)	exports	90.700	81.693	81.815	75.565
	imports	90.300	90.656	85.827	77.779
	balance	+0.400	-8.963	-4.012	-2.214

Takeover system to be streamlined

By Philip Stephens, Political Editor

THE BRITISH Government is planning new legislation next year to streamline its investigation and approval procedures for takeovers and mergers.

The measures, to be included in a new Companies Bill, will be foreshadowed in the Queen's speech to Parliament tomorrow, the ceremonial opening of a new session at which the Government sets out its legislative programme.

The Companies Bill has yet to be finalised and is not due to be published until early next year. But proposals drawn up by the Department of Trade and Industry envisage three main changes to existing procedures.

The first would provide for a voluntary system of "pre-notification" of planned mergers and acquisitions to the Office of Fair Trading (OFT) which would provide for automatic clearance of non-controversial bids. Where there were no obvious competition issues, companies would simply complete a standard questionnaire for the OFT in order to secure approval.

The bill would also simplify procedures in those cases where planned mergers or acquisitions would create potential threats to competition in perhaps only one area of the enlarged business.

Under the new proposals, companies would be able to avoid a time-consuming reference to the Monopolies and Mergers Commission (MMC) by giving advance statutory undertakings to divest that part of the business.

The third proposal, however, will be less welcome for industry – that companies launching takeover bids should be forced to contribute to the costs of any subsequent MMC investigation.

There are no plans, however, for any change in the Government's overall philosophy towards takeovers.

Despite criticism that it has been inconsistent in its recent decisions, the DTI insists that it is sticking to the principles established four years ago by Mr Norman Tebbit, who was then Trade and Industry Secretary.

They provide that in all but the most exceptional circumstances bids should be referred to the MMC only on competition grounds.

Aside from the companies legislation, moves to privatise the water and electricity industries will dominate the forthcoming parliamentary session.

Other measures in the Queen's speech will include additional controls on local authority spending, tougher action to counter terrorism in Northern Ireland, tighter rules on unemployment benefit payments and reform of the Official Secrets Act.

Power tax planned to pay for nuclear programme

By Max Wilkinson, Natural Resources Editor

A "NUCLEAR tax" is to be imposed on that all consumers of electricity, including large industrial companies linked to independent generators, after the industry is privatised.

The Government's decision follows a strong warning from the Central Electricity Generating Board that it would accept the risk of building nuclear reactors after privatisation only if it could be sure that the costs and the biggest risks would be passed on to consumers or taxpayers.

The Electricity Bill, which is to be published early next month, will enable the the industry to push most of the extra costs of the nuclear programme on to consumers.

The Government has decided, however, that the shareholders of National Power, the generating company which will inherit the CEGB's nuclear programme, must bear some of the risks of building delays or technical failures.

The automatic transmission of costs to the consumer will be limited to the initial contract price of the nuclear programe, unless National Power can convince the industry's regulator that its costs overran for reasons beyond its control.

The Electricity Bill will require the regional supply companies, which are to succeed the 12 area boards, to buy a fixed proportion of electricity not generated by fossil fuels. At first the level will be a little under 20 per cent.

The extra cost of this obligation will be added to domestic customers' bills through a pricing formula administered by the industry's regulator.

The area boards have complained vociferously to the Government, however, that their nuclear obligation could place them at a disadvantage in competing for industrial customers which might prefer to buy power from a non-nuclear independent producer.

The Bill addresses these fears by requiring all independent producers above a certain size to levy a nuclear surcharge from their customers. The industry's regulator will grant licences to generators with more than 50MW of capacity only if they levy this surcharge.

It is among the Government's difficulties with the electricity privatisation that its plans oblige supply companies to buy nuclear power, but create no matching obligation on the generating companies to produce such energy.

The nuclear levy, which will probably be used to pay for work in progress during the long construction periods, is therefore considered necessary to give National Power an adequate incentive to continue Britain's nuclear programme.

The size of the surcharge, under the general supervision of the regulator, will be calculated from the excess of nuclear costs over those for other forms of electricity generation.

The Government will argue that the diversity of supply offered by a nuclear programme is a benefit which all electricity consumers share, and that the cost should therefore be shared by all.

However, producers of other forms of non-fossil power, including windmill, tidal or "hot rocks" power, will not be required to levy a nuclear tax from their customers, offering them a possible small advantage from the scheme.

The Government will try to quieten protests at the scheme by pointing out that the nuclear tax is likely to be small for the foreseeable future since it will apply only to plant yet to be built. Should nuclear power should turn out to be unexpectedly cheaper than the alternatives, the surcharge will become a bonus to be shared by all customers.

The cost of electricity from existing nuclear plant mainly reflects past capital expenditures, which will be written down sharply at the time of privatisation.

An adjustment to these capital values could also be used to offset future decommissioning costs, if these are considered to be higher than previously estimated.

Supply companies will be able to pass on the average rise for fuel costs for the whole system rather than the fuel costs actually incurred through supply contracts with generators.

The formula for power tariffs, which is several pages long and will be part of the licences issued to supply companies, will also make an allowance for extra capital costs incurred through supply contracts.

The Government is seeking to structure the price formula so the supply companies will be unable to raise profits by putting up prices to customers.

Ford pledges annual £1.5m for staff development programme

By Charles Leadbeater, Labour Editor

FORD, the vehicle maker, plans to spend more than £1.5m a year on an personal assistance and development programme for its 42,000 staff.

The scheme will provide employees with non-job related evening classes and a range a health services including physiotherapy, chiropody, clinics to stop smoking and classes on healthy eating, designed to promote "healthier lifestyles."

Such programmes are generally associated with non-union, service sector employers such as IBM; the computer company, or confined to more senior staff.

The programme is modelled in part on a scheme Ford runs in the US in conjunction with the United Auto Workers, car industry union. It will be central to the company's attempt to develop a system of "employee involvement" in its UK plants. It also represents a big step towards more individualised, non-pay benefits for manual workers.

The programme, dubbed the Employee Development and Assistance Programme (EDAP), will be run in addition to Ford's substantial investment in job-related training.

The main points of the scheme are:

● Employee development will provide grants of up to £200 per employee, to cover the costs of courses at Colleges of Further Education, Polytechnics, the Open University and other educational institutions, which workers will pursue in their own time. The company's plans for the programme suggest that possible courses might include computer literacy, basic numeracy and first degree courses.

A company study groups estimated at least £600,000 a year would be spent on these courses, if 5 per cent of the company's workers were to take up the offer.

● Employee assistance programmes will focus on "personal health and lifestyle issues", by providing non-occupational, health services at factories and offices.

A company report suggests that the kind of services to be offered might include stop-smoking classes, advice on diet and counselling on alcohol and drug dependency.

Many employers offer managers subsidised membership of private health-care schemes. Ford plans to match this in part by providing workers with on-site access to physiotherapists, chiropodists, and dentists.

While EDAP borrows from policies which non-unionised companies have introduced, Ford plans to run its programme jointly with the car industry unions.

The programme would be designed and overseen by a national committee on which the unions and the company would be equally represented. About 85 per cent of the EDAP fund would be disbursed to local joint committees to carry out surveys among staff on which services they most want. Development programmes would then be tailored to local wishes.

Unions represented at Ford agreed to discussions over such a programme as part of the two-year pay and flexibility agreement, they signed with the company in February. Detailed talks on design and administration of the programme will begin a week today at a weekend meeting.

Allied agrees to cut in hours

By Michael Smith, Labour Staff

ALLIED-LYONS, the food and drinks group, has agreed in principle to reduce the working week of the 11,500 manual workers in its food division from 39 hours to 37½ hours.

Unions regard the deal as a breakthrough in their campaign for shorter hours because Allied-Lyons is one of the first in the food industry to move towards a 37½-hour week for blue-collar employees.

The move comes while unions in other sectors are making little progress in achieving cuts in working hours. Employers in the engineering sector, for example, have rejected a claim for a 35-hour week as unrealistic and extravagant. Manual employees in engineering presently work 39 hours a week.

In other industries the pace of change in reducing working weeks has slowed in recent years after a widespread trend at the beginning of the decade to replace 40-hour weeks with 39-hour weeks.

Allied-Lyons has agreed the principle of a 37½-hour week with six unions – the AEU engineering union, the TGWU and GMB general workers' unions, the MSF general technical union, the EETPU electricians' union and the BFAWU bakers' union.

The deal has been reached more than two years after the unions made their first request for a reduction in hours and the company says that its first response was rejection.

Allied-Lyons says individual agreements will have to be negotiated at local level for the hours reduction plan to be implemented and will be possible only if they can be introduced at no extra cost to the company.

It is expected to be several years before all manual workers in the division work 37½ hours.

Mr David Welsh, personnel director of the food division, said the trend in the food industry during the next few years would be towards a 37½-hour week and Allied-Lyons wanted to be ahead of the field.

Mr Welsh said the cut in hours would have to be accompanied by other changes in work practices. There would be no reduction in output and the company was not interested in hidden pay increases through, for example, increased availability of overtime.

Increased flexibility between different types of workers will be one idea the company will advocate. The hours reduction will bring the food division's manual staff into line with white-collar workers, whose working week will remain at 37½ hours.

At the start of the 1980s blue-collar workers in Allied-Lyons' food division were working 40 hours a week.

The national deal to reduce this figure to 39 hours was negotiated in 1982 but in many cases the local agreements needed to implement the cut took several years to complete.

Government steps up attack on health unions

By John Gapper, Labour Correspondent

THE Government yesterday intensified its attack on the Trade Union Congress-affiliated health unions over the nurses' pay dispute, declaring that it regarded the widespread practice of working strictly to new grading definitions as industrial action.

Mr David Mellor, health minister, emphasised the breach between the two TUC health unions, Cohse and Nupe, and the Royal College of Nursing, which has criticised the campaign of disruption over the £941.5m re-grading of nursing staff.

Mr Mellor said that the Government would back any health authority which took legal action against unions for encouraging working to grade – which has meant many nursing auxiliaries refusing to work unsupervised – without a ballot.

However, Nupe said it had been told by the South Western Regional Health Authority that the authority did not regard working to grade – the most common form of action in the dispute – as industrial action requiring a ballot.

Both Cohse and Nupe joined the RCN's call for a meeting with Mr Kenneth Clarke, Health Secretary, to discuss problems in the implementation of the grading structure for Britain's 487,000 nurses and midwives which was recommended in April by the pay review body.

Mr Clarke has insisted that health authorities will not hear appeals over re-gradings from nurses who are taking industrial action. A strict interpretation of all working to grade as a form of industrial action could hold up thousands of appeals.

The unions are due to meet each other tomorrow amid rising tension between them over tactics. Mr Trevor Clay, RCN general secretary, has questioned whether joint negotiating machinery should be changed because of industrial action.

Speaking on BBC radio, Mr Mellor said working to grade had been applied in a "lunatic" fashion in some areas.

Mr Rodney Bickerstaffe, Nupe general secretary, said that if Mr Clarke could find the time to direct insults at nurses, he should be able to fit in a joint meeting with all the nursing union leaders.

Europe's chemical unions agree to EC policies plan

By Our Labour Staff

EUROPEAN chemical industry unions, representing more than 1.5m members, have agreed a plan of work to represent workers' interests in debates over European Community policy in four sectors, including pharmaceuticals, plastics, rubber, and gas.

The plan was agreed by the European Federation of Chemical and General Workers Union, at its inaugural executive committee meeting in Brussels.

The Federation will hold its first conference next May.

It represents more than 20 European chemical industry unions but, in accordance with European Trade Union Congress rules, it excludes communist unions from France, Spain and Portugal.

While the main British chemical unions are represented, the EETPU electrician's union, which was expelled from the TUC earlier this year, is not a member.

UK NEWS

Thatcher pressed to speed action against pollution

By John Hunt, Environment Correspondent

THREE leading environmental campaigning organisations have joined forces to bring pressure to bear on the Government to speed up its programme of anti-pollution measures.

Greenpeace, Friends of the Earth and the World Wide Fund for Nature yesterday issued a joint document entitled Green Gauntlet.

It lists 30 areas in which they challenge Mrs Thatcher, the Prime Minister, to introduce tougher anti-pollution legislation before the next general election.

This reflects their disappointment at the recent indication by Mr Nicholas Ridley, the Environment Secretary, that no new "green" bill introducing stricter pollution controls will be announced in this week's Queen's Speech for the new parliamentary session.

Mr Jonathon Porritt, director of Friends of the Earth, yesterday welcomed Mrs Thatcher's speech in which she pledged that the Government would take action to deal with some of the main national and international environmental problems.

However, he added: "We now challenge her to make good her claims and put some political flesh on her government's skeletal environmental record."

The Green Gauntlet document calls for firmer measures to combat the greenhouse effect, involving the warming of the Earth's atmosphere, and to combat threats to wildlife in the countryside.

Jonathon Porritt: attacks record on the environment

It also wants tighter control of sulphur emissions from power stations to reduce acid rain, an end to dumping of sewage at sea and legislation to prevent dumping of heavy metals and chemicals.

Lord Melchett, of Greenpeace, has sent a letter to Mrs Thatcher disputing her recent claim that the condition of the North Sea is good and in some respects improving.

"In fact, the UK contributes significantly to the many black spots that are found in the eastern North Sea," he says.

Life market retreats before AIDS

Eric Short on a significant move by Standard Life Assurance

STANDARD Life Assurance, Scotland's largest life company, announced last week that it was no longer offering any traditional protection life cover contracts, known as term assurance, to the public.

Providing financial protection against death through term assurance is the raison d'etre of the long-established traditional life companies and Standard Life was founded in 1825. The first contracts offered by traditional life companies over 200 years ago were protection contracts. Standard's move is akin to a clearing bank withdrawing completely from providing overdraft facilities to the public. Why has Standard Life taken this action?

Mr Ian Lumsden, Standard Life's chief actuary, is emphatic that AIDS (Acquired Immune Deficiency Syndrome) is not the sole reason for this decision. After all, Mr Lumsden's actuarial forefathers of the 19th century had to contend with mortality conditions just as unpredictable.

But AIDS was the trigger. Over the past seven or eight months, life company actuaries have been reviewing their term rates and other charges for mortality to take account of the anticipated high number of AIDS-related deaths.

This has resulted in term assurance premiums for men under 45 more than doubling in many cases. In addition, actuaries are watching closely the progression of AIDS in the UK and worldwide, and would not hesitate to increase premiums again if considered necessary.

Standard Life is one of the last life companies to have reviewed its rates and as far as term premiums were concerned it produced similar answers to the other life companies.

Standard's move is akin to a clearing bank withdrawing completely from providing overdraft facilities to the public

However, the company took the opportunity to review its whole product range and came to some startling conclusions.

Last year Standard Life issued about 421,000 individual contracts of which just 11,000 were term assurance, mainly contracts which carried the right to convert to other life contracts some time in the future – not a leading product.

The discovery by actuaries 200 years ago that they could charge a level premium to cover a mortality risk that increased with age was likened by Mr Frank Redington, an eminent actuary, to the discovery of the "actuarial wheel."

It set life assurance on a different plane from general insurance. Instead of one-year renewable contracts, life companies could offer life cover over any term, up to the time of death itself, on premiums fixed at the beginning.

Mr Lumsden now considers that with the onset of AIDS, it would not be feasible for life companies to offer fixed-price life cover contracts unless they had a large pool of business in those contracts.

Hence, Standard Life took the decision to discontinue offering such contracts.

People can still obtain life cover from Standard Life. But it is on a variable premium basis, through what is known as universal life contracts, where the actuary has the power to change the mortality cost at short notice. It is the type of cover offered by most unit-linked life companies such as Allied Dunbar and Abbey Life.

There is one exception: fixed-price term assurance contracts are still available from Standard Life for a mortgage.

Prudential Assurance has not gone as far as Standard Life in withdrawing from the term assurance market. But it will not issue such contracts where the cover is more than £25,000 unless there is a specific reason for taking out the contract, such as cover for a loan until repayment.

Other actuaries do not agree with Mr Lumsden's arguments. They still regard providing term assurance as an integral part of a traditional life company's operation, even though for many traditional mutual life companies they, like Standard Life, actually do little business. The term assurance market is dominated by the composites, together with Equitable Life Assurance, where the actuarial wheel was invented.

Standard Life's review turned up other surprising features. Last year it sold just 48 whole life non-profit contracts which pay a fixed amount on death and 67 endowment non-profit contracts paying a fixed amount at the end of a selected period or on earlier death.

These contracts were the vogue of the late 19th century and were still standard for a traditional life company 30 years ago. Inflation, the growth of equity-type investment by traditional life companies and the advent of unit-linked life contracts have made such contracts obsolete.

Insurers urge tax treatment parity for pension schemes

By Eric Short, Pensions Correspondent

THE Association of British Insurers, the main trade body for insurance companies in the UK, has called for parity of tax treatment between company insured pension schemes provided by life companies and company self-administered pension schemes.

The association is negotiating with the Inland Revenue over the Revenue's proposal to change radically the system of taxation of life companies, which could well result in companies paying considerably more tax. The Revenue's basic premise is that, under the present system, life companies do not pay their fair tax share.

Nevertheless, these negotiations have not stopped the association from making its annual pre-Budget submission to the Chancellor of the Exchequer, calling for action on various tax matters that, if implemented, would result in both life and general insurance having at least certain tax easements.

The association's submission points out that all approved pension schemes are exempt from tax and able to recover income tax deducted at source and tax credits on dividends paid.

However, the submission points out that self-administered schemes can recover the tax immediately. But pension schemes through a life company, both individual and corporate schemes, cannot receive these reclaimed payments until the corporation tax liabilities of the life company are settled after the end of their financial year.

Although the Revenue allows concessions for companies to reclaim tax earlier, the ABI calls for full provisional tax repayments as a right for life companies.

The ABI's submission also refers to a similar difficulty affecting both life and general insurance concerning tax deducted at source on gilts, local authority bonds and corporate debentures and loans.

The tax deducted from these investments usually substantially exceeds the insurance companies' corporation tax liability, but it is only repayable after the normal date for payment of the corporation tax.

The association asserts that this practice means that insurance companies are paying corporation tax in advance without any compensation for advance payment.

Low-emission cars to be offered by VW

By John Griffiths

VOLKSWAGEN'S UK importer is to offer optional low-pollution, catalytic converter-equipped versions of the entire VW car range by next autumn.

The decision by Lonrho-owned VAG (UK) follows the launch at last month's UK motor show of Golf and Jetta models fitted with simple "oxidation" catalytic converters for an extra £200.

These reduce the level of pollutants in exhaust emissions by up to 50 per cent compared with non-catalyst versions.

However, the next two VW models to be offered with catalysts, 2-litre Passats and the Corrado G60 sports car, will use more sophisticated, "three-way" catalytic converters employing electronic management. Prices are likely to be at least £500 more than their non-catalyst counterparts.

All models under 1.6 litres will be offered with the simple catalyst; those over 1.6 litres will be offered with "three-way" converters which are more efficient, largely eliminating nitrogen oxide emissions.

However, VAG acknowledges that the use of catalysts reduces engine power, so it will offer, where possible, larger engines to compensate. For example, its fuel-injected 1.8 litre engine develops 112 brake horsepower without a catalyst, 107 bhp with a "simple" catalyst and only 102 bhp with a full, three-way system.

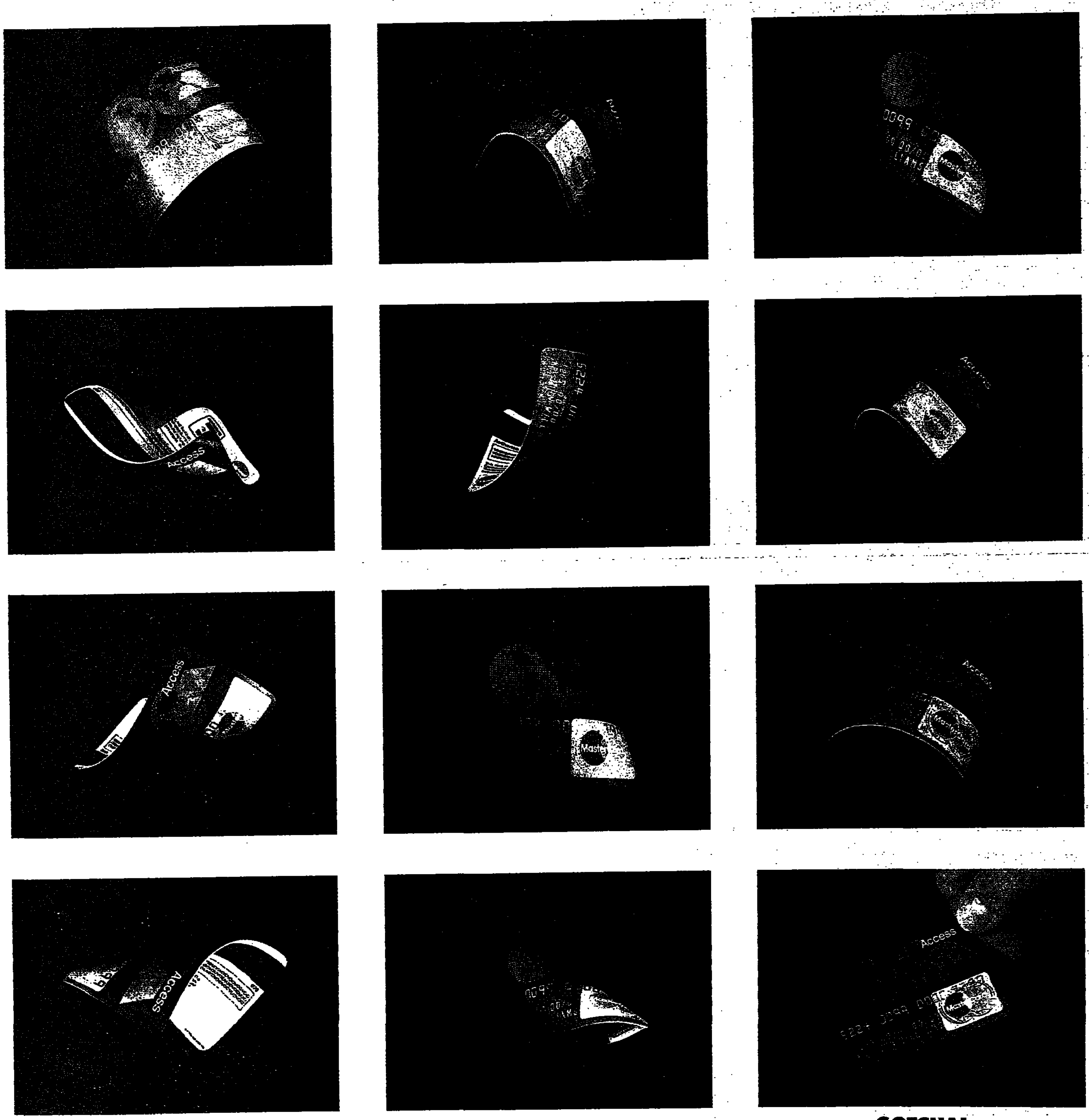
VAG, with sales of Volkswagen and Audi cars which account for about 6 per cent of the UK's 2m-units-a-year new car market, is the first UK supplier to supply catalytic alternatives for its entire range, although both Rover group and Toyota sell individual models with the option.

The intention of Ford, the UK market leader, not to offer catalyst alternatives in the UK in the immediate future – even though it already sells catalyst-equipped cars in some European markets – has led it into conflict with the Greenpeace environmentalist group.

VAG's decision has been made possible by the rapidly increasing availability of unleaded petrol in the UK.

Cars equipped with catalysts must use unleaded fuel, because lead in exhaust gases forms a coating on the catalyst which renders it inoperative.

Yesterday General Motors and Mobil entered a Vauxhall Astra on the Lombard RAC Rally, claiming it is the first car using unleaded fuel to compete in a world-championship rally.



Ministers to pick between US and UK battle tank

By Lynton McLain

A COMMITTEE of senior ministers chaired by the Prime Minister is expected to decide on Thursday whether to buy British or American main battle tanks for the British Army of the Rhine.

An order worth £750m to £1.2bn for 500 to 600 tanks at £1.5m to £2m each is at stake for the only two competitors, Vickers of the UK and General Dynamics of the US.

This is the first time the Ministry of Defence has considered a foreign tank for service with the British Army. It is also the first time an order for British Army tanks will have been decided on the basis of competitive tenders.

The decision to open the contest to foreign competition for the first time was inevitable after the MoD created a monopoly in tank production in the UK, with Vickers the sole supplier, if the MoD was to honour its competitive tendering policy for defence equipment.

Vickers became Britain's only maker of main battle tanks after the MoD abandoned competition between the previous two UK tank makers, Royal Ordnance and Vickers, by selling the RO tank factory at Leeds to Vickers two years ago.

Previous orders had been awarded exclusively to Royal Ordnance when it was the MoD's own arms and munitions maker, or to Vickers.

The contest has enabled the MoD to drive down the price and call for changes in the specification of the new tank. Vickers and General Dynamics have had to resubmit their bids several times.

Vickers Defence Systems, the Vickers subsidiary which makes the tanks, said yesterday Britain would be in danger of losing its production capability for main battle tanks if the order went to the US.

The company has just over a year's worth of main battle tank orders left for the British Army at its Leeds factory, which employs 1,400 people. It has no tank orders at its Newcastle upon Tyne tank factory, which employes several hundred people, and is seeking export orders for the Vickers Mark 7 tank.

The army wants to replace up to 600 Chieftain tanks in service with BAOR. The prototype Chieftain was tested 29 years ago. It is expensive to maintain and slower to fire and less accurate than current main battle tanks.

The MoD's procurement executive is in the final stages of evaluating the US General Dynamics M1 Abrams and the Vickers Challenger II main battle tanks to replace Chieftain.

Royal Soviet trip unlikely

By Our Political Editor

THE Government yesterday sought to play down suggestions that the visit to London next month of Mr Mikhail Gorbachev, the Soviet President, could result in an early visit by the Queen to the Soviet Union.

Officials said no such invitation had been issued. They added that it was unclear what had prompted media speculation that Mr Gorbachev would extend one during his planned audience with the Queen during his visit to London from December 12 to 14.

The officials made it clear that Mrs Margaret Thatcher, the Prime Minister, would advise the Queen against travelling to the Soviet Union at an early stage. Among the considerations would be what Mrs Thatcher regards as Moscow's poor record on respect for human rights.

Buckingham Palace has remained aloof from any discussion about the Queen's reaction to such an invitation, while acknowledging that she would have to take advice from the Prime Minister, but there is thought to be some irritation at the way the issue has been aired publicly in Whitehall.

Fledgling BZW sends out powerful shock waves

David Barchard continues the series about the impact of Big Bang on securities houses

LAST MONTH, Barclays De Zoete Wedd cut the size for deals on the London Stock Exchange and trimmed its spreads between bid and offered prices. The two moves sent shock waves though many of its competitors and were characteristically forceful demonstrations of how far BZW has come in the two years since the Big Bang reforms of October 1986.

BZW was expensively forged in 1985 out of Barclays' own merchant banking activities; Wedd Durlacher and Mordaunt, one of two main jobbers in the world of the pre-Big Bang stock market; and de Zoete & Bevan, a leading broking firm, for a total cost of £130m.

Clearing banks were newcomers to the securities' scene and nobody was sure how they would fit into it. Barclays' own merchant banking activities before the merger were generally regarded as smaller and weaker than those of the other clearers.

By buying large, ready-made businesses, Barclays spared itself the expense and difficulty of a "cold start" but faced an almost equally difficult task of blending the newly-purchased ingredients into a workable whole which would justify its hefty investment.

A few months after it came into being, the fledgling investment bank was hit by the departure of eight partners that it had inherited from Wedd Durlacher, a major setback at the time and — as with its rivals — followed at intervals by other departures, although the bank has latterly attracted a steady stream of new talent to it.

The two years since October

BZW CHANGES

	Big Bang	Today
Employees	1300	2800
Overseas offices	6	16
% share of equities mkt	5	7

1986 have seen BZW growing steadily in size and prestige while its rivals have been dogged by misfortunes, bad publicity, defections of senior staff and forced to jettison some of their main areas of activity. There is an obvious and almost embarrassing contrast between BZW's history and the troubled record of County NatWest, the securities and investment arm of National Westminster, Barclay's larger rival.

Elsewhere, the record is one of steady advance into new fields such as swaps, US government Treasury bond operations. From being number 23 in the UK corporate finance market in 1986 it has risen to eighth this year

A poll of 260 leading institutional investors earlier this year showed that BZW was now the third favourite securities house among fund managers, following close behind James Capel and Warburgs. It was an impressive display of how far BZW had pulled ahead of its rivals among the clearing bank's securities and investment arms in the two-and-half years since it was set up.

Because of this, BZW's half-year pre-tax profits of £25m announced last August are perhaps more impressive than they look at first sight. The return on capital was 17 per cent, a figure the bank describes as "respectable though not our goal," although it is double the level of some of the longer-established merchant banks, such as Morgan Grenfell or Kleinworts.

BZW achieved its profits without ditching large areas of unprofitable business without shedding loss-making operations (unlike the £65m half-year profit of Midland Montagu, for example).

The turnaround was the more impressive given the depressed state of the market after last year's crash, which pushed BZW into ending last year £11m in the red.

Mr David Band, who joined BZW from Morgan Garanty as chief executive last April, said: "The crash brought a much-needed return to reality in the financial markets but because our fundamentals in sales, research and trading are so strong we feel we remain on track towards our aim of being an international integrated investment bank."

A key factor, both before and after the crash, has been BZW's working relationship with its parent, Barclays, which like the other big clearers had to make a sometimes painful adjustment to living with the risks involved in a securities operation.

Unlike its rivals, BZW has managed to remain relatively independent of its parent and at the same time to develop a distinct identity of its own.

The melding together of the separate cultures of jobbers, brokers, and bankers was probably assisted by bringing in Sir Martin Jacomb from Kleinwort Benson as chairman and giving him additional clout as deputy chairman of the parent banking group. Sir Martin's authority is enhanced by his status as a director of the Bank of England and a past deputy chairman of the Securities and Investment Board.

All eyes on the future at BZW

Mr Band said: "Of our 2,800 staff, many were neither 'B', 'Z' or 'W'." About 350 senior BZW staff had shares in the bank, which helped to cement loyalties and Mr Band added: "The bottom line for them is that BZW matters. It is important to be ambitious for the firm." Nevertheless there were "some obvious aspects of immaturity still" in the bank. "We don't yet have a large corps of 'elder statesmen' who have spent their careers with us and help instil the identity of the institution. But that will come in a few years."

Barclays attitude towards BZW is described as "hands off" by Mr Band. "They let us get on with it and we keep them informed beforehand of major developments."

The two banks retain their separate treasuries, further enabling BZW to build up a confident sense of its identity.

Its growing assertiveness may explain BZW's ability to attract specialists from other banks, notably Hill Samuel and County NatWest, to fill gaps in such areas as Eurobonds and corporate finance where it is still relatively weak.

One thing the bank does not do, however, is to encourage its own top executives to regard themselves as stars. It prefers them to think of themselves as "street-wise" and "client-wise." There is also a continuing drive to catch up with the market leaders in areas where BZW still sees itself as weaker than some of the competition. In research, for example, BZW has built up its establishment to a total of 22 analysts specialising in European markets, out of a total of 120.

Overseas operations are also expanding. About a third of BZW staff work outside the UK and the bank has steadily beefed up its international presence in the last two years, opening offices in Hong Kong, Singapore, Tokyo and Sydney, as well Paris, Amsterdam, and Madrid, even if in some ways BZW is still weaker globally than its main rivals — lacking County NatWest's strong Tokyo presence, for instance.

Previous articles in this series: Shearson, Tuesday, November 8; Lloyds Bank, Monday, November 14.

Ashdown rules out pre-election pacts

By Philip Stephens, Political Editor

MR PADDY Ashdown, leader of the Social and Liberal Democrats, yesterday ruled out any pact with either the Labour Party or with Dr David Owen's SDP in the run-up to the next general election.

In a lengthy interview on independent television, Mr Ashdown said that he saw "no reasonable prospect" of a deal with the Labour Party before the election.

Similarly, a renewed alliance with Dr Owen would mark a "betrayal" of the democratic decisions which members of his party had taken over the past 18 months.

Mr Ashdown, who has just returned from a two-week tour of the country, said that he was confident that the SLD's poor standing in recent opinion polls did not reflect its true level of support in the country. It had fared considerably better in local elections, taking a 31 per cent share of the vote in the most recent such ballots.

He confirmed that Labour would be the main target of the SLD's drive for increased support over the next few years.

Labour, he said, would break up after a further defeat at the next election. That would leave the SLD as the alternative to the government of Mrs Margaret Thatcher.

● The Conservative Party's Bow Group yesterday called on the Government to introduce new rules in the House of Commons to give a fairer chance to bills sponsored by backbench MPs.

The group said that the Government should act against the "time-wasting" tactics of opponents of private members' bills by implementing procedures which would ensure that proposed legislation received a fair hearing in the Commons.

Tidal power data sought

By David Green

AN INDUSTRIAL consortium investigating plans to build a barrage across the River Severn estuary is being asked to submit evidence to the Hinkley Point C nuclear power station inquiry.

The invitation has gone out from Mr Michael Barnes, QC, the inquiry inspector, to the Severn Tidal Power Group, following claims from some participants that generating power from the barrage is preferable on both economic and environmental grounds.

The group comprises Sir Robert McAlpine & Sons, Balfour Beatty, GEC Power Engineering, Northern Engineering Industries, Taylor Woodrow Construction and Wimpey Major Products.

Findings of a £4.26m study of the barrage plan financed by the STPG, the CEGB and the Department of Energy should be ready by the spring.

Water industry surprised by strict regulation plan

By Richard Evans

THE regulatory framework for the privatised water industry, to be disclosed in the Water Bill this week, is much more stringent than the industry had expected and will make it difficult for the City to put a value on the flotation.

"We can just about tolerate the bill as drafted, but the scale of regulation is very harsh. It is going to make a successful sale difficult," said the chairman of one of the 10 water authorities in England and Wales due to be floated off in November next year.

The bill's final draft, a key plank in the Queen's Speech tomorrow, underlines the complexity of the privatisation measure, probably the most politically sensitive of all the Government's public sector asset sales. Present indications are that the industry could fetch from £4bn to £7bn.

There are signs that the bill, which runs to more than 200 clauses and dozens of schedules, has been made tougher to meet the vociferous demands of the environment lobby, and to ensure that its passage through parliament is as trouble-free as possible.

Following publication on Thursday, there will be a Commons second reading debate in the first week of December followed by two or three committee sessions before the Christmas recess, an exceptionally fast programme.

In spite of its length and complexity, the bill is expected to be on the statute book by the beginning of July, several weeks earlier than expected.

Michael Howard: to steer bill through parliament

The push is necessary because of the need to float the authorities by next November to allow the even bigger electricity privatisation to take place in three tranches beginning early in 1990.

It will be impossible for the City to put any valuation on the water authorities for many months, as too many crucial factors remain undecided. These include the pricing formula, the scale of debt rescheduling – debt will have to be taken from some authorities and loaded on to others – and the ability of the industry to pass on in charges additional costs from European Community directives.

These, together with a decision on a government golden share to prevent early predatory takeovers of the fledgling companies, will not be known in detail until much nearer vesting day on September 1 next year.

What will be clear this week will be the scale of the new bureaucracy. The National Rivers Authority, a quango which will assume the authorities' existing regulatory functions, will need a staff of about 6,000. Ironically, this was the figure originally estimated by the industry and rejected as scaremongering by Mr Nicholas Ridley, Environment Secretary.

One authority chairman said yesterday that the division of the industry between the privatised authorities, or water services plcs as they will be known, and the NRA, will mean that an additional 600 jobs will be required.

There will also be a powerful director general of water services to monitor the new plcs, the Monopolies and Mergers Commission, the pollution inspectorate, and customer service committees. "The whole bill is drafted as if the plcs will be run by a bunch of crooks," said an industry leader.

Mr Michael Howard, Environment Minister, will have the tricky task of steering the Bill through Parliament. There is unease on the Tory as well as opposition benches on some aspects of the legislation.

Merger plan to breed biological success

David Fishlock examines the proposals for a new national science organisation

TWO COMMITTEES will shortly report to the Government on a proposal that two large national research agencies should be merged to create a Biological Research Council, to raise the profile of the biological sciences in Britain.

One is a House of Lords select committee, the other an expert committee advising the Department of Education and Science.

Scientists, no less than nurses, are being graded. Senior scientists, for the first time in their careers, are being told their research is of low priority, unwanted.

Some are being told they are "unproductive." Others are being asked to move to research considered of higher priority, in which they may have no academic reputation.

Some are being asked to take early retirement. None of this will be novel for the industrial scientist.

However, it is proving a painful new experience for scientists in the Government's research councils, the agencies through which it supports the education and training of scientists.

Of the five research councils, two in particular, the Agricultural and Food Research Council (AFRC) and the Natural Environment Research Council (NERC), have found themselves out of favour in recent years.

Reasons differ, but at their simplest they can be summed up like this. The AFRC has been pursuing good science but in directions that promised mainly to add to the already embarrassing European food surpluses.

The NERC has been pursuing too much research its peers ranked of low quality or low priority.

As a result, the AFRC has had research commissioned by the Ministry of Agriculture, Food and Fisheries cut severely.

Professor Knill is cautious about the merger proposals, urging a study of joint research efforts

According to Professor William Stewart, secretary, had the ministry's funding of the AFRC remained steady at the level set in 1975, it would now be receiving £73ma year, whereas in fact it is getting only £45m from this source.

The other half of its funding, from the science budget of DES, has been increasing slightly, although less than its losses.

The outcome of the latest public expenditure survey is likely to be more money from DES, offset by further cuts to come from the Agriculture Ministry.

An anguished Prof Stewart says "life would certainly be simpler if we had only one financial system."

The prospect of a diminished future led his council to propose what could be the first restructuring of the research councils since they were set up in 1966.

Prof Stewart calls it a "common sense objective." It would merge an AFRC, which spent £106m in the year which ended in March, with a NERC, which also spent £106m.

The NERC, however, sees the future from a different perspective. Although there is a strong biological flavour to much of its environmental research, it could hardly expect to be the dominant partner in a merger creating a Biological Research Council.

Professor John Knill, NERC's chairman – like Prof Stewart, new to his job this year – sees an expanding future for his council.

"NERC's time has come," he says, pointing to what he calls a sea change in public attitudes towards threatening environmental difficulties, and recognition by government that NERC is its agency for analysing those difficulties.

NERC's research disclosed the "ozone hole" in the atmosphere above Antarctica.

The Government has already announced this month that NERC is to get an extra £35m for two main programmes – £23m for its British Antarctic Survey and expanded studies of the ozone hole, and £12m for the British Geological Survey – over the next three years. NERC is confident of getting still more, given the newfound ministerial enthusiasm for tackling environmental issues.

Prof Knill brings two disciplines to his new job – he is both a civil engineer and a geologist.

He says bluntly that although he is interested in any measure that might strengthen environmental science, the merger idea is driven by biological interests.

NERC is to get additional funding for its research into the ozone hole above the Antarctic

Among the advantages of such a merger might be a bigger and stronger research council specialising in basic and strategic biology, possibly yielding savings in the administration of an aggregate staff of some 5,000.

He believes, however, there would be disadvantages. One could be the risk of an internal conflict between research roles relating to exploitation (agricultural activities, for instance) and to newly emerging environmental worries.

For many of NERC's scientists, such a merger would offer no advantages, as Prof Knill sees it. Many have not even been consulted about it.

Prof Knill, who is still restructuring NERC to accommodate big changes carried out by his predecessor Mr Hugh Fish, expects to lose another 160 staff by next April and is pleading for a respite from further upheaval.

Strenuous efforts were made by Mr Fish to raise the quality of NERC science in face of peer criticism.

Prof Knill believes he takes over both a programme high in scientific quality and a team high in morale.

At the AFRC, Prof Stewart acknowledges that a merger would mean a big upheaval.

He said: "You couldn't simply knock us together." The cost of reconstruction would have to be found by the Government.

At NERC, Prof Knill is more cautious. His view is that any ideas for a merger should be pursued slowly, but meanwhile the two research councils should explore every opportunity to collaborate in their research.

AFRC Annual Report 1987-88. £8. NERC Annual Report 1987-88. £6.

Development of European fighter set for go-ahead

By Michael Donne, Aerospace Correspondent

A £6BN contract for the full-scale development of the European Fighter Aircraft (EFA) is expected to be signed this week between British Aerospace and its partners in the project in West Germany, Italy and Spain, with their respective governments.

Mr Ivan Yates, president of the Society of British Aerospace Companies, said last week in London that this followed the signature to the EFA agreement by the Spanish Government two weeks ago.

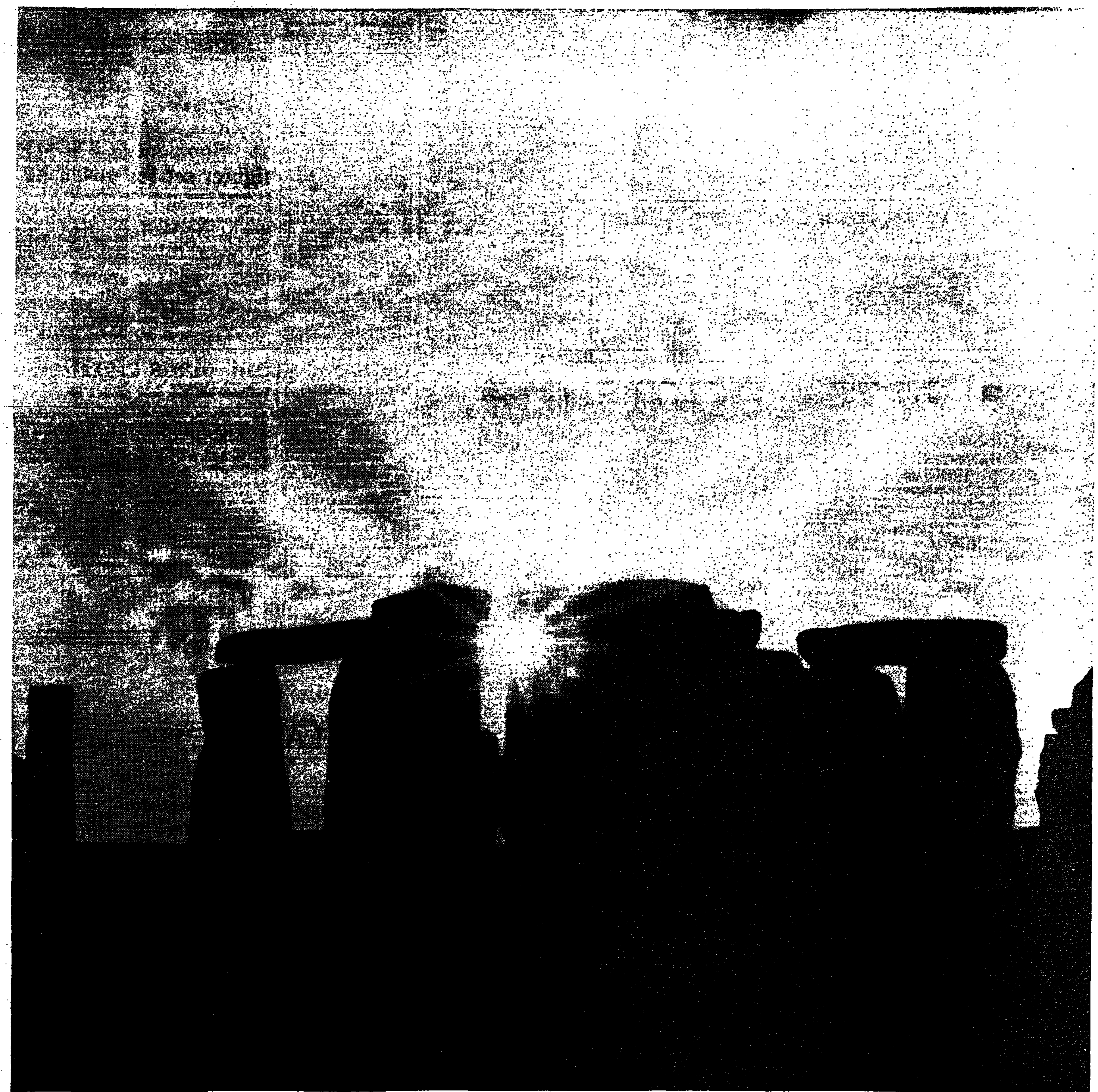
"The UK is now back in the fighter business until well into the next century," Mr Yates said.

The EFA is being run by the Eurofighter consortium, based in Munich, and comprising BAe (33 per cent), Messerschmitt-Bolkow-Blohm and Dornier (33 per cent) Aeritalia of Italy (21 per cent) and Construcciones Aeronauticas (Casa) of Spain 13 per cent.

The EJ-200 engine for the EFA is being developed by a consortium called Eurojet Turbo, including Rolls-Royce, Motoren-und Turbinen-Union, Fiat Aviazione and Sener of Spain. Many major groups of equipment companies are also being formed to compete for work on the aircraft.

Current plans envisage more than 800 aircraft being built for the air forces of the four countries, with the first entering service in 1995.

Innovation



UK NEWS

Stagnant house prices 'set to curb spending'

By Ralph Atkins, Economics Staff

STAGNANT house prices will help force a marked slowdown in the growth of consumer spending next year, a leading securities house predicts in a report published yesterday.

House prices will be almost static in the first half of 1989 before showing a modest rise in the following six months, economists at Shearson Lehman Hutton forecast.

Consumer spending is forecast to grow by just 2.5 per cent next year. This is less than predicted by Mr Nigel Lawson, Chancellor of the Exchequer, earlier this month in the Autumn Statement and compares with about 5 per cent in each of the last three years.

"The growth in demand for consumer durables is likely to be particularly lacklustre and may show negative growth in some quarters," the report says. It argues that the recent buoyancy of house prices has increased consumer spending by boosting confidence and encouraging borrowing.

However, rises in mortgage rates this summer are beginning to affect the housing market, the report says. "Our own impression is that actual selling prices in the London market have now fallen well back from their late summer levels, and at the lower end of the market are now close to their pre-Budget level." The report says there are signs that house prices in other regions are also slowing.

Growth in disposable incomes, after allowing for inflation, is also forecast to slow next year while saving increases. Wage settlements are rising but a strong pound is expected to intensify competitive pressures so that employers will eventually stiffen resistance to high wage demands.

Shearson Lehman Hutton forecasts a current account deficit of £10bn for 1989 compared with the Treasury's forecast of £11bn. Base rates are expected to remain near 12 per cent during 1989 while inflationary pressures are forecast to moderate before the end of the year. However, it says inflation is unlikely to fall to 5 per cent until the following year.

Construction orders surge 'will continue next year'

By Andrew Taylor, Construction Correspondent

THE SURGE in British construction is likely to continue for at least another 12 months as companies work through the current crop of orders, according to the Building Employers' Confederation representing more than 9,500 construction companies.

The confederation, which today publishes its latest quarterly state of trade survey, questioned more than 600 construction companies last month about the state of their order books and the outlook over the next 12 months.

Replies indicated that UK construction output could rise by a further 3-4 per cent next year.

The confederation said that more than three-quarters of the companies questioned last month expected workloads to rise in the next 12 months.

Almost two-thirds of them were working at full capacity. When a similar survey was conducted four years ago, the confederation found that fewer than 20 per cent of its members were working at full capacity.

There have, however, been recent signs that orders may be starting to peak, while sales of new houses have slowed in parts of London and south-east England.

Despite this, orders and workloads remain at their highest since 1973.

Most companies do not expect workloads to fall sharply when the market peaks. They believe the private sector economy, which has given rise to most of the recent increases in output, will remain strong and that orders are likely to stay on a plateau rather than plummet.

The confederation said 44 per cent of companies reported an increase in inquiries for new work during the three months to the end of September, compared with the previous three months, which augured well for future orders.

The high level of work, particularly in the south-east of England, has increased demand for skilled labour and materials.

Nearly 90 per cent of companies reported difficulties in acquiring bricklayers and carpenters. About 60 per cent of companies reported difficulties in finding plasterers – a slightly lower proportion than in previous months.

The proportion of concerns reporting serious delays due to manpower shortages had declined from 14 per cent in June to 8 per cent last month.

Yorkshire growth starts to slow

By Ian Hamilton Fazey, Northern Correspondent

THE Yorkshire and Humberside economy – which contributes nearly a tenth of the UK's gross domestic product and is regarded as a good national indicator because of its broad mix – has started to slow, according to the latest economic survey by the region's association of chambers of commerce.

Domestic orders appear to have reached a plateau in the third quarter of the year, export activity has stabilised at a low base, there are fewer new jobs and companies are writing down next year's sales forecasts.

Confidence appears to have been shaken by high interest rates, which the survey reveals as by far the biggest current worry in industry and commerce, followed by local authority rates, the exchange rate and general inflation.

Neither interest charges nor inflation have figured as such major worries for several years. However, with problems in finding the right staff, most companies appear resigned to absorb the slowdown next year through lower profits, rather than shedding jobs.

Mr Peter Coles-Johnson, regional secretary of the association, said last night: "We are not at the panic button stage, but our figures suggest that the situation has got to be monitored and managed carefully.

"Our message to the Chancellor of the Exchequer is to be very careful about not letting interest rates go higher. The economy must be watched to ensure that it does not slip into recession. With careful management, we may get the soft landing that the Chancellor wants."

Mr Coles-Johnson said the regional economy – driven by the buoyancy of West Yorkshire in particular – had been overheating and needed to come off the boil. One sign had been that some companies had been turning orders away for lack of skilled staff.

Warning on machine tool purchases

By Nick Garnett

HIGH interest rates and rising inflation have harmed the confidence of industrial companies and are causing them to hold back on re-equipping factories, according to Mr Keith Bailey, president of the Machine Tool Trades Association.

Speaking at the annual dinner of the association which represents manufacturers and importers of machine tools, Mr Bailey said re-equipping compared poorly with some of Britain's main industrial competitors.

Machine tool purchases in the UK had improved sharply this year after a long period of stagnation but were still at only half the levels of 1979. Per capita investment in machinery last year in the UK was only half that of West Germany and the US and a fifth that of Japan.

The pick up this year was welcome but it was already being replaced by "a hesitant approach," Mr Bailey said.

Disney joins Murdoch's satellite channels

By Raymond Snoddy

MR RUPERT MURDOCH has succeeded in attracting the Disney channel of the US to join his package of Sky television satellite channels.

Sky, which plans to launch four television channels on the Luxembourg satellite Astra on February 1, will announce today the addition of a fifth channel – Disney.

It will be possible to receive all five channels over most of the UK with a 60 cm dish and receiving equipment costing about £250.

The Disney channel, which features cartoons and general family entertainment, will be part of a subscription package that includes the Murdoch film channel, Sky Movies, and possibly later the sports channel, Eurosport. The other Sky channels will be financed by advertising.

Mr Murdoch, chief executive of News International, has made clear he is also interested in a sixth channel, possibly for classic films.

Disney is particularly keen to bring its cable television channel to Europe to provide additional publicity for the Disneyland being built near Paris.

Mr Murdoch wants to get as many channels as possible in his package of programmes to give the public a greater incentive to buy or rent the receiving equipment.

Apart from films, sport and Disney, Sky television will offer Sky News, a 24-hours-a-day news channel, and Sky itself, the general entertainment satellite channel. Sky was launched six years ago and is still not in profit.

Sky television is a huge financial gamble for Mr Murdoch who has said he intends to spend £100m a year on programmes. Some estimates put the total cost of Sky television at more than £200m a year.

The Astra satellite, financed privately by European financial institutions and by a number of Britain's ITV companies, is scheduled for launch on December 8. If all goes well the satellite will begin broadcasting on January 20.

● Sir George Jefferson, former chairman of British Telecom, has been appointed chairman of City Centre Cable, the company hoping to create a local London television channel, writes Joel Kibazo.

Mr Brian Deutsch, who has been chief executive and chairman of City Centre Cable, remains chief executive but now becomes deputy chairman.

City Centre Cable, which is backed by Prudential Bache, the US financial group, has applied for the cable franchises covering homes in north, east and west London.

Judges consider retrospection of Financial Services Act

By Raymond Hughes, Law Courts Correspondent

A WELL-KNOWN City figure being investigated by inspectors appointed by Lord Young, Trade and Industry Secretary, under the 1986 Financial Services Act, has challenged the inspectors' right to investigate business he carried on before the act became law.

Two judges in the High Court, who have directed that the applicant – referred to as "R" – must not be identified, are considering their ruling on whether the act is retrospective.

The issue arose at a judicial review at which "R" sought a declaration that investment business within the meaning of the act did not include business carried on before December 18 1986, when the act came into force.

Section 105(1) of the act refers to investigation of "the affairs . . . of any person so far as relevant to any investment business which he is or was carrying on or appears . . . to be or to have been carrying on."

Mr Anthony Arlidge, QC, for "R", said that on May 19 inspectors had been appointed to investigate his affairs under section 105. On May 20 the inspectors had requested the production of documents going back to 1982.

That had given rise to two issues: whether inspectors were empowered to investigate matters prior to December 1986, and whether the business carried on by "R" was, in fact, investment business.

"R" had protested about the width and length of the request. In due course much more limited requests going back only to early 1986 had been made and provisionally complied with.

Later a much wider request – going back to 1984 – had been issued which "R" had complied with in part. In relation to the other part, at the end of July the inspectors had indicated that they were referring the matter to the DTI to see what action it proposed.

Mr Arlidge said the Financial Services Act was the first time in English law that an individual was in effect compelled to answer questions and to disclose documents to investigators.

It was, Mr Arlidge said, plainly a considerable departure, as far as individuals were concerned, from the previous position in law, and if it was to apply to before the act came into force as well as after, clear words would be needed to effect that.

The act, he said, was essentially forward-looking. All its provisions appeared to relate to a new regulatory system and it completely changed the way in which investment business was carried on in the UK.

The affairs inspectors investigated under the act had to relate to investment business, Mr Arlidge said.

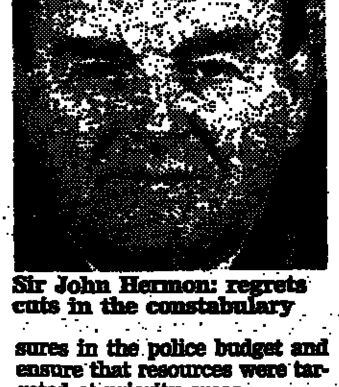
Police cuts trigger Ulster row

By Our Belfast Correspondent

A POLITICAL row has erupted in Northern Ireland over a decision to close 11 limited-opening police stations as part of a cost-cutting exercise by the Royal Ulster Constabulary.

Unionist politicians are furious that the RUC is scaling down what it terms "normal policing operations" when the threat posed by republican and loyalist paramilitary groups appears to have intensified.

A total of 80 posts in the traffic branch, community relations and crime prevention departments are being cut in a range of money-saving measures.



Sir John Hermon: regrets cuts in the constabulary

Sir John Hermon, chief constable, said the RUC regretted the cuts, which were being implemented to maintain the force's operational thrust.

The cuts were attacked by the Police Federation and the RUC's Superintendents' Association, representing most of the force.

It has been estimated that the measures will save about £2m of the RUC's £350m annual budget.

The RUC said the cuts were needed to meet financial pressures in the police budget and ensure that resources were targeted at priority areas.

Mr Alan Wright, the Ulster Police Federation chairman, said: "We deplore the cuts and the reasons for them."

The Rev Ian Paisley, leader of Ulster's Democratic Unionist Party, said he deplored the move which was scandalous in the light of the present security situation.

Mr Ken Maginnis, the Official Unionist Party's security spokesman, was highly critical of the decision to reduce community policing.

Mr Maginnis said: "I believe it is wrong to remove police officers from the community at the very time when I think they should be in even greater contact with people on the ground."

● Mr James Molyneaux, leader of the Official Unionist Party, has challenged the Government to hold a referendum on the Anglo-Irish agreement.

Speaking at his party's annual conference in Portrush at the weekend, Mr Molyneaux said it was futile for Unionists to continue tabling proposals to the Government, which had rejected Unionist offers to help improve Anglo-Irish relations. He added that it was impossible for any minister to argue that the accord would bring "peace, stability and reconciliation."

Delegates at the conference voted unanimously in favour of a motion calling on the Government to remove the obstacles to discussions about an alternative agreement.

Student grant plans clarified

By David Thomas, Education Correspondent

THE Government has cleared up fears that a loophole in this month's white paper on student loans could have resulted in parental contributions rapidly replacing government grants as the mainstay of studen maintenance as the new *system of student loans is* phased in.

The Department of Education and Science acted swiftly to resolve a number of ambiguities in the white paper in a letter to the National Union of Students, published today.

Although the white paper stressed that the combined value of parental contributions and government grants in supporting students would be frozen after 1990-1991, when loans are due to be introduced, it gave few details as to how this would be done.

This led to speculation that the *scales determining* the rate of parental contributions would be frozen, which would have meant these contributions rising rapidly as parents' incomes increased until the Government's contribution to maintenance had been eliminated.

The DES rules this out, saying that the parental contributions scale will be re-indexed annually. The basis for the change will not be the retail prices index, since incomes have tended to rise more rapidly than prices.

The Government intends *that the proportion of government* grant and parental contribution in student maintenance will not change as the loans are introduced.

The letter also stresses, contrary to some earlier reports, that there will be a final increase in the student grants in 1989 to 1990 and 1990 to 1991.

Mirror to close printing plant

By Lynton McLain

THE Daily Mirror is to close its black and white printing plant in Withy Grove, Manchester, from next weekend, with the loss of about 250 jobs.

The decision is part of a strategy for the Daily Mirror, the Sunday Mirror and The People to be printed in colour by January.

The redundancies come after a dispute over bargaining rights had been referred to a TUC conciliation committee, which had been unable to reach a solution.

Printing will be transferred to a new colour printing plant in Oldham, where about half the 500 staff at Withy Grove will be offered jobs.

Electricity board names advisers

THE South of Scotland Electricity Board has appointed two stockbrokers to advise it on its impending privatisation and act as joint brokers in its flotation.

They are Phillips and Drew Securities in London, and Parsons Penney, the Glasgow firm which is part of Allied Provincial, the UK-wide broker.

CONSTRUCTION CONTRACTS

Boscombe shopping complex

Artist's impression of the proposed Sovereign shopping centre at Boscombe.

J M JONES CONSTRUCTION has started work on a £15.5m contract to build a shopping centre for Standard Life in Christchurch Road, Boscombe near Bournemouth. The scheme, known as the Sovereign Centre, will be constructed in reinforced concrete, clad in honey coloured brick with blue inlaid detail. The contract includes the construction of a 639 space multi-storey car park, using the lift slab technique.

On completion of the 73-week contract in April 1990, the centre will provide a total of 140,000 sq ft of retail space, including a 50,000 sq ft superstore for Safeway. The centre will be on two storeys, with roof-top servicing. Roof works will also include the construction of glazed canopies over the shopping malls.

A bus station is also being constructed, which will have its main entrance in the Sovereign Centre, and a new road junction with two roundabouts will improve traffic access to the site.

Designed by Leslie Jones Architects, the 29 retail units will be arranged around a central water feature, and will all be linked by malls that have been designed to gain maximum natural light from the glass roof.

Caribbean power supplies

BALFOUR BEATTY, in joint venture with Higgs and Hill Overseas, has been awarded a £10m design and construction contract by St. Lucia Electricity Services (LUCELEC) for a 12MW power station together with the civil construction and services for four 66kV sub-stations.

The contract forms part of LUCELEC's 1986-1989 development programme and is funded from loans provided by the Commonwealth Development Corporation and the European Investment Bank.

The project is programmed for completion in January 1990.

Office buildings at Heathrow

WILLETT, a Trafalgar House Company, has been awarded a £14m contract to construct office units at Heathrow, for associate company Trafalgar House Developments.

Located on the William Byrd Park Development, off Bath Road, the project will involve the construction of four office buildings of varying sizes.

The scheme consists of a four-storey "L" shaped block of 47,500 sq ft, two similar shaped three-storey blocks of 22,500 sq ft and 28,500 sq ft, and a two-storey "U" shaped building of 27,500 sq ft.

Traditional pad foundations will be used on each of the steel-framed buildings, which will be constructed using a combination of decorative bricks and curtain walling, to create glazed feature bays on every elevation.

The contract entails the installation of comprehensive internal finishings, including raised flooring throughout, fixing suspended ceilings, together with all electrical and air conditioning services and lifts.

All four structures have been designed by architects Geoffrey Reid Associates. To accommodate Civil Aviation Authority guidelines, because of the proximity to the nearby airport, the development will incorporate low profiled hitched slate roofs.

Willett will also undertake a variety of external works, including associated drainage, construction of a site entrance and a 620-space car parking facility, and a variety of soft landscaping. Completion is scheduled for Spring 1990.

Mixed bag for Tarmac Group

Private and public sector projects worth about £llm have been awarded to TARMAC CONSTRUCTION. They include building a coating plant at Runcorn, Cheshire, for Stone and Webster Engineering (£2.9m); 45 flats and offices at Torquay, for Cranham Field Developments (£2.8m); offices, drainage and external works at Preston, for Fellgate House (£998,000); and refurbishing a building at Southport, for Phillips Components (£415,000).

Several contracts have also been awarded to the contract housing division. They include work on local authority homes at Stretford, Greater Manchester (£970,000); Solihull (£790,000); Kirkby, Liverpool (£600,000); and Sale, Cheshire (£250,000).

Tarmac Refurb has a £1.2m contract for altering and refurbishing The Windsor public house in Cannon Street, Birmingham.

Welsh workload for Wimpey

The South West and South Wales region of WIMPEY CONSTRUCTION UK has been awarded contracts in Wales totalling more than £10m.

The Welsh Development Agency has awarded a £4.4m contract for the first phase of the extension to the Ynysmaerdy Industrial Estate, Llantrisant, Mid Glamorgan. The work involves infrastructure works to the whole of the proposed development of some 40 acres, together with the construction of six detached factory units, two of 900 sq metres, one of 1,440 sq metres, two of 2,288 sq metres and one of 4,752 sq metres. The buildings will be of steel frame construction with trussed rafters and hipped roofs, metal clad external walls with faced brickwork to dado height on all elevations.

Work has started on the fitting-out of the 6,750 sq metre Tesco superstore at Parc Troste, Llanelli, recently completed by Wimpey. The £2.5m contract includes precast terrazzo tile flooring to sales areas; semi-vitreous tile flooring to kitchens, toilets and preparation areas; the service installations, dock levellers and scissor lifts, and a petrol filling station. Fitting out is to be completed for occupation at the end of February next year.

At Newport Road, Cardiff, work has started on the Citylink retail development for Oldway Property Corporation under a £3.3m contract to be completed in March 1989. The 6,000 sq metre scheme will provide a restaurant and two superstores for Children's World and Habitat.

CONTRACTS & TENDERS

SOKOTO AGRICULTURAL AND RURAL DEVELOPMENT AUTHORITY
INVITATION FOR BIDS (IFB)

Please note the following amendments to the above which was advertised on the 6th September 1988.

Date of issuance of invitation: 31st October, 1988
Loan No: 2185 UNI
ICB No: SARDA 10

A. In para 1, the last line should read 'eligible member countries of the World Bank, Switzerland and Taiwan, China'.
B In para 2, the delivery time should be changed to 150 days.
C In para 5, bid bond or bank guarantee equivalent to the following:
US DOLLARS 15,000 OR N70,500 FOR CATEGORY 1
US DOLLARS 45,000 OR N211,500 FOR CATEGORY 2
US DOLLARS 10,000 OR N47,000 FOR CATEGORY 3
US DOLLARS 30,000 OR N141,000 FOR CATEGORY 4
US DOLLARS 74,500 OR N350,000 FOR CATEGORY 5
D. In para 6, the date of issuing of bid documents as 31st October, 1988 and the closing date for the bids as 12th January, 1989.
E. Please note that the following paragraph has been added:
Interested bidders may bid for a single category or a combination of categories. Bids will be evaluated separately for each category.

DIARY DATES

FINANCIAL

TODAY

COMPANY MEETINGS-
Attwoods, The Pickeridge, Stoke Common Road, Fulmer, Buckinghamshire, 12.00
G. R. Hidgs., Chartered Accountants' Hall, Moorgate Place, E.C., 12.00
London & Strathclyde Trust, Gartmore House, 16-18 Monument Street, E.C., 3.00

BOARD MEETINGS-
Finals:
Cosalt
Diploma
GPG
Piccadilly Radio
Rank Hovis McDougall
Shaftesbury
Shani Group
Talbex
Volex
Interims:
Brown Shipley
CML Microsystems
City Gate Estates
Control Securities
De Morgan Group
EMAP
Govett American Endeavour Fd.
Parkland Textiles
Stockdale
Tomorrows Leisure
Unit
Welpac
Wishaw

DIVIDEND AND INTEREST PAYMENTS-
Aon 32cts
Barker (Charles) 1.2p
Bejam 2.75p
Brent Chemicals 1.25p
Cadbury Schweppes 2.4p
Citicorp O'seas Finance Gtd FRN's 1991 £146.85
DRG 4.7p
Doeflex 1.15p
Druck 4p
Isotron 1.44p
MAI 3.08p
MIL Research 1.75p
Quatro 1.125p
Renishaw 2.3p
RUO Estates 3p
Security Pacific FRN's 1997 $220.47
T.I.P. Europe 2.8p
Tokyo Electric Power FRN's 1992 4.95p
Treasury 12½pc 2003/05 6¼pc
Trelfus 2p
Ward 1.8p
Woolwich Equitable B. S. FRN's 1995 £298.57

TOMORROW

COMPANY MEETINGS-
Tay Homes, Queen's Hotel, City Square, Leeds, 2.30

BOARD MEETINGS-
Finals:
Marine Adventure Sailing Trust
Parkway
Radio City
Interims:
Christie
Delmar
German Smaller Co's. Inv. Tst.
Mercury Asset Management
Monks Inv. Tst.
Powell Duffryn
Sedgewick Group
TR Property Inv. Tst.
VSEL Consortium
Walker & Staff

DIVIDEND AND INTEREST PAYMENTS-
B.A.T. Inds. 7.6p
Boot (Henry) 5.5p
Conversion 10¼pc 1996 5⅛pc
European Inv. Bank 10⅞pc Ln 2004 5⁷⁄₁₆pc
Exchequer 2½pc 1990 1¼pc
Haden MacLellan 1.5p
Ibstock Johnsen 2p
Jamesons Chocolates 2p
Jerome (S.) 2.6p
Sea Containers 10cts
TSB Offshore Inv Fd. Pf (Blue Chip & Gilt Edged Class) 1.5p
Do. Prf (Managed Currency Class) 3.75p
Treasury 14pc 1998/2001 7pc
Treasury 2½pc I-L 1990 £1.5887

WEDNESDAY NOVEMBER 23

COMPANY MEETINGS-
Armour Trust, Clifford Chance offices, Blackfriars House, 19 New Bridge Street, E.C., 12.00
High-Point, Institute of Directors, 116 Pall Mall, 12.00
Manganese Bronze, 1 Love Lane, E.C., 12.00
TSW, The Studios, Derry's Cross, Plymouth, 2.00
Trafford Park Estates, United Trading Estate, United Road, Old Trafford, Manchester, 12.00

BOARD MEETINGS-
Finals:
Calor
Radio Clyde
Sanderson Electronics
Interims:
BAT Inds.
Blacks Leisure
Broad Street
Coutaulds
Hogg Robinson
Imry Merchant Dev.
Lees (J.J.)
Magnet
Marston, Thompson & Evershed
Warburg (S.G.)

DIVIDEND AND INTEREST PAYMENTS-
Cray Electronics 3.5p
Estates Z& Gen. Invs. 1.1p
Gent (S.R.) 1p
Halifax B. S. FRN's 1998 £146.46
Intl. Colour Management 0.8p
Kleinwort Benson Finance Gtd FRN's 1991 $114.20
Manganese Bronze 3.75p
Manufacturers Hanover Trust FRN's 1994 £148.46
Morgan (J.P.) Int. Finance Gtd FRN's 1997 $225.81
Premier FRN's 1989 $447.22
Rathbone Brothers 1.5p
Sunderland (borough of) 11¾pc 2008 5⅞pc
Tay Homes 5.93p
Trafford Park Estates 3.15p
Treasury 13¾pc 1993 6⅞pc

THURSDAY NOVEMBER 24

COMPANY MEETINGS-
Courtney, Pope Hldgs., Milne Row, 12A Upper Barclay Street, W., 11.00
Galliford, Pemms Hall, Pemms Lane, Walmley, Sutton Coldfield, 12.15
HTV, Culverhouse Cross, Cardiff, 12.30
Maunders (John), The Holiday Inn Crowne Plaza, Peter Street, Manchester, 10.30
Regina Health & Beauty, The Grosvenor House Hotel, Park Lane, W., 11.30

BOARD MEETINGS-
Finals:
Blenheim Exhibitions
Scottish Inv. Tst.
Interims:
Anglovaal
Boots
Business Mortgage Tst.
Chancery
Eastern Transvaal Cons.
Fulcrum Inv. Tst.
Glamar
Murray Technology Invs.
Rothmans Intl.
Scantronic
Unilock
Waddington (John)

DIVIDEND AND INTEREST PAYMENTS-
Armour Trust 0.708p
Audio Fidelity 1.25p
Beuford 1.4p
British Petroleum 5p
Do. (Rest Trans.) 5p
Do. (120p Pd) 6p
Conder 3p
Courtney, Pope 4.5p
Emess 3.4p
Erith 1.3p
Estates & Agency 2p
Hampden Homecare 0.5p
Holborn Curency Fund Pf Managed (Sterling) 3.34p
Do. (US$) 28.21cts
Do. Deposit (Sterling) 4.17p
Do. (DM) DM0.6572
Do. (Yen) Y85.97
INSTEM 1p
Investors in Industry Intl. Gtd FRN's 1994 £29.85
Kentish Prop. 1.5p
Nationwide B. S. FRN's 1996 £50.69
Plaxton 1.5p
Prudential 2.7p
Royal Bank of Canada 52cts
Sherwood 1.8p
Steetly 4p
Throgmorton Dual Trust 4p

FRIDAY NOVEMBER 25

COMPANY MEETINGS-
BM Group, Ironmongers Hall, Shaftesbury Place, The Barbican, 11.30
Great Universal Stores, Chartered Insurance Institute, 20 Aldermanbury, E.C., 12.00

BOARD MEETINGS-
Finals:
Bett Bros.
Clyde Blowers
GWR
Moss Tst.
Perpetual
Pict Petroleum
Scottish Cities Inv. Tst.
Interims:
Property Partnerships

DIVIDEND AND INTEREST PAYMENTS-
Abbey Life 3.6p
Adwest 9.72p
Alexandra Workwear 1.35p
Antler 1.4p
CCA Publications 0.9p
Cookson 2.5p
Dean & Bowes 2p
Delyn Packaging 0.45p
Densitron Intl. 0.7p
Early's of Whitney 0.315p
Eaton 50cts
Galliford 2.5p
H.T.V. 8p
Higgs & Hill 4p
How 1.125p
Iceland Frozen Foods 1.7p
Jackson 1.3p
Laing Props. 4.5p
Lanca 0.75p
Lloyd Thompson 3.35p
LASMO 7¼pc Sds. 2003 3⅝pc
Mackay (Hugh) 2p
Maunders (John) 2.1p
Minerals Oils & res. Fd. 16cts
Do 1ct
Molins 2.5p
Personal Computers 2.1p
Primadona 1.25p
Primerica 40cts
Regina Health and Beuty Products 0.5p
Rugby 2.3p
S & U Stores 1.25p
SPS Consultancy 1.5p
Murray & Elder 5.5p
Shandwick 5.5p
Stag Furniture 2.5p
Sykes-Pickavant 2.25p
T & S Stores 1p
TSB Gilt Fd. Prf. Class B 1p
TSB Var Rate FRN's 2003 £301.54
Thorpe (F.W.) 3.6p

SATURDAY NOVEMBER 26

DIVIDEND AND INTEREST PAYMENTS-
Berry, Birch & Noble 1.5p.

Trade Fairs and Exhibitions: UK

November 22-27
Antiques Fair (04447 2514) **Barbican**

November 22-25
International Pharmaceutical, Cosmetics, Toiletry and Allied Industries Exhibition - INTERPHEX (01- 891 5051) **NEC, Birmingham**

November 24-27
National Festival of Crafts (04252 72711) **NEC, Birmingham**

November 29-30
Institute of Gas Engineers meeting and exhibition (01-245 9811) **Wembley Conference Centre**

November 29-December 3
World Travel Market (01-940 6065) **Olympia**

December 1-3
Cash and Carry Fashion Show (01-727 1929) **Kensington Town Hall**

December 5-8
Royal Smithfield Show & Agricultural Machinery Exhibition (01-235 0315) **Earls Court**

December 9-12
Clothes Show (01-834 1717) **Olympia**

December 16-17
Cash and Carry Fashion Fair (01-727 1929) **Kensington Town Hall**

Overseas Exhibitions

November 23-29
International Garment Manufacturing Equipment and Machinery Exhibition - GARMENTECH (01-236 2399) **Beijing**

November 27-December 4
International Tourism Exhibition - TOURISTICAFRANKFURT (01-734 0543) **Frankfurt**

November 30-December 3
International Office Environment Show - JAPAN OFFICE (01-486 1951) **Tokyo**

December 1-4
Art and Antique Dealers Exhibition - VKA (01-236 0911) **Stuttgart**

December 7-16
Children's World Exhibition (01-437 3840) **Kuwait**

December 8-11
Singapore Informatics Exhibition (01-589 1943) **Singapore**

December 13-16
International Defence Equipment Exhibition and Conference - DEFENCE ASIA (0494 729406) **Bangkok**

Business and management conferences

November 21-22
Financial Times Conferences: Europe 1992 and beyond: strategies for European business (01-925 2323)
Hotel Inter-Continental, London

November 23-24
Spectra: Electronic marketing in retailing (0734 320177)
Connaught Rooms, London

November 24
Tolley Conferences: Compliance for accountants-a practical conference on the obligations of auditors (01- 686 9141)
London Press Centre

November 25
Qubix Conferences: A case for change-the challenges facing the legal profession today (01-861 1971)
City Conference Centre, London

November 29-30
Financial Times Conferences: Private health care (01-925 2323)
Hotel Inter-Continental, London

November 29-30
London Chamber of Commerce: London and the South East: the challenges of change (01-248 4444)
Royal Lancaster Hotel, London

November 30
Tradelink: Doing business with Iran (01-749 1474)
Copthorne Hotel, Birmingham

December 1-2
Financial Times Conferences: European business forum - 1992 and after (01-925 2323)
Grand Hotel, Rome

December 1-2
Financial Times Conferences: Venture capital financial forum (01-925 2323)
Hotel Inter-Continental, London

December 1
Elsevier Seminars: Computers in financial trading (0865 512242)
Tara Hotel, London

December 5-6
Royal Institute of International Affairs/British Institute of Energy Economists/International Association for Energy Economics: Third international energy conference (01-930 2233)
Chatham House, London

December 5-6
Financial Times Conferences: The outlook for oil (01-925 2323)
Hotel Inter-Continental, London W1

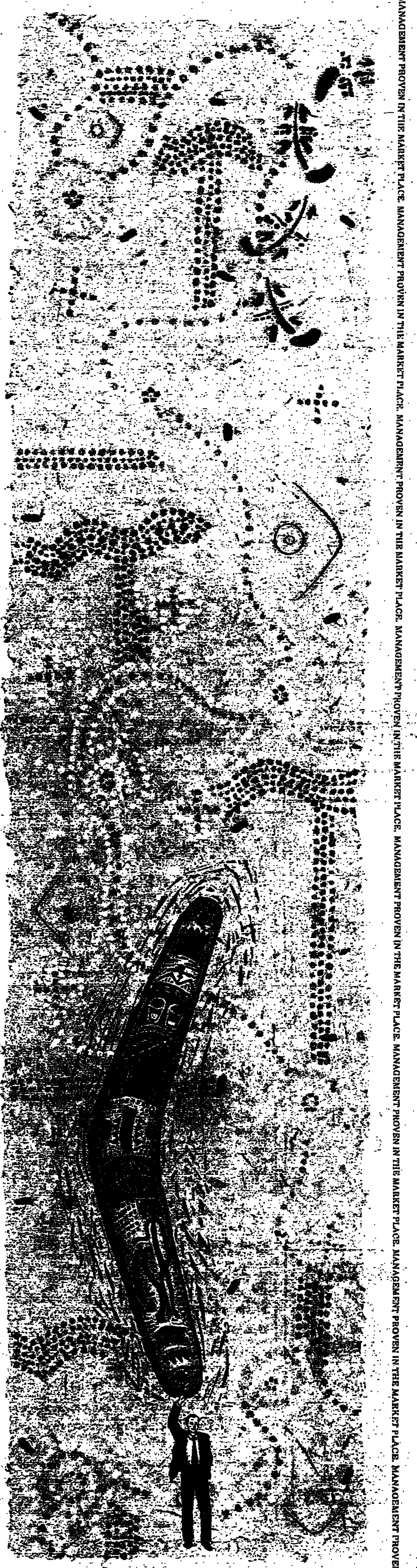
December 5-6
FIBEX: National finance directors' conference (01-637 1133)
Le Meridien Hotel, London

December 8
Business Briefings: Private enterprise and developing countries (01-381 1284)
Glaziers Hall, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE.

Year in, year out, Cadbury Schweppes' management gets bigger returns from Down Under.



Over the last few years Cadbury Schweppes' business has been booming in Australia and New Zealand.

Pre-tax profits have risen at a compound annual rate of around 20%. And as if that weren't enough, return on average assets employed has consistently improved to nearly 34% in 1987.

So just how has this excellent growth record been achieved?

In a word, consistency.

Cadbury Schweppes simply applied exactly the same principles Down Under that the Group's management operates over the rest of the world.

A Capital Idea.

One of the first steps was investment. Capital expenditure over the last five years has totalled a cool A$155 million. As a result of this policy significant improvements in efficiency and productivity have been achieved.

This in turn helped to liberate funds for marketing investment with the objective of strengthening the existing brand portfolio and providing a firmer foundation for even more growth.

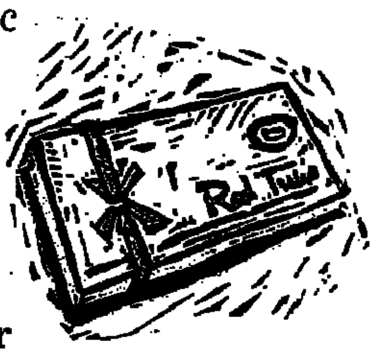
However, organic development is not the only way to grow.

Good Buys.

Cadbury Schweppes' management went shopping, and with some success.

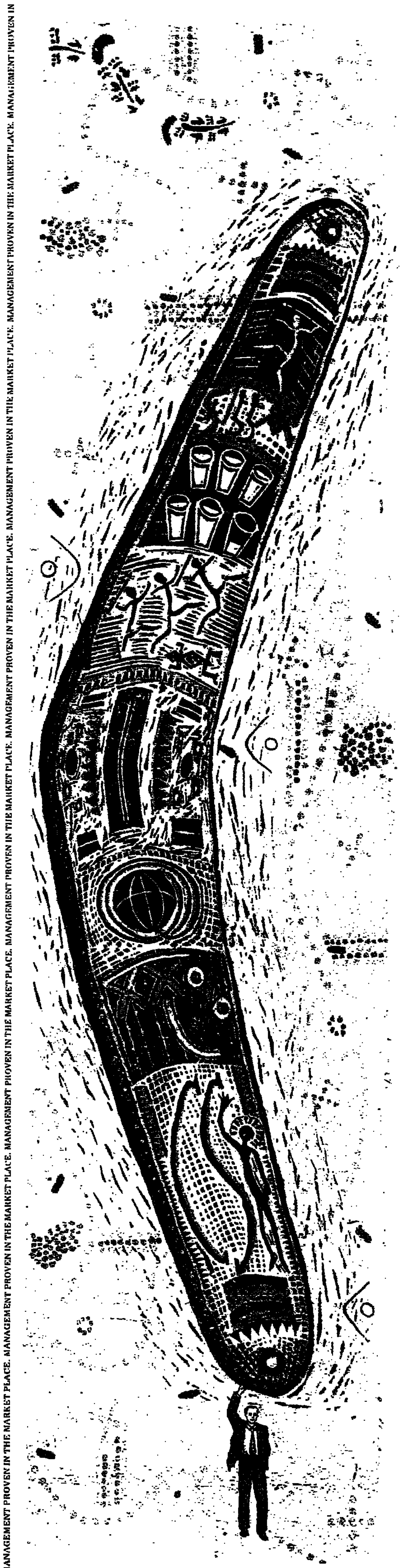
First, the Beatrice operation acquired last year, followed by the Woodroofe soft drinks business. Both acquisitions coming complete with the all important strong local brands.

As Cadbury Schweppes p.l.c. Chief Executive, Dominic Cadbury says, "Profit growth has continued in the first half of 1988 and Australia is just one example of how our management is making the Group's assets work harder for its shareholders".



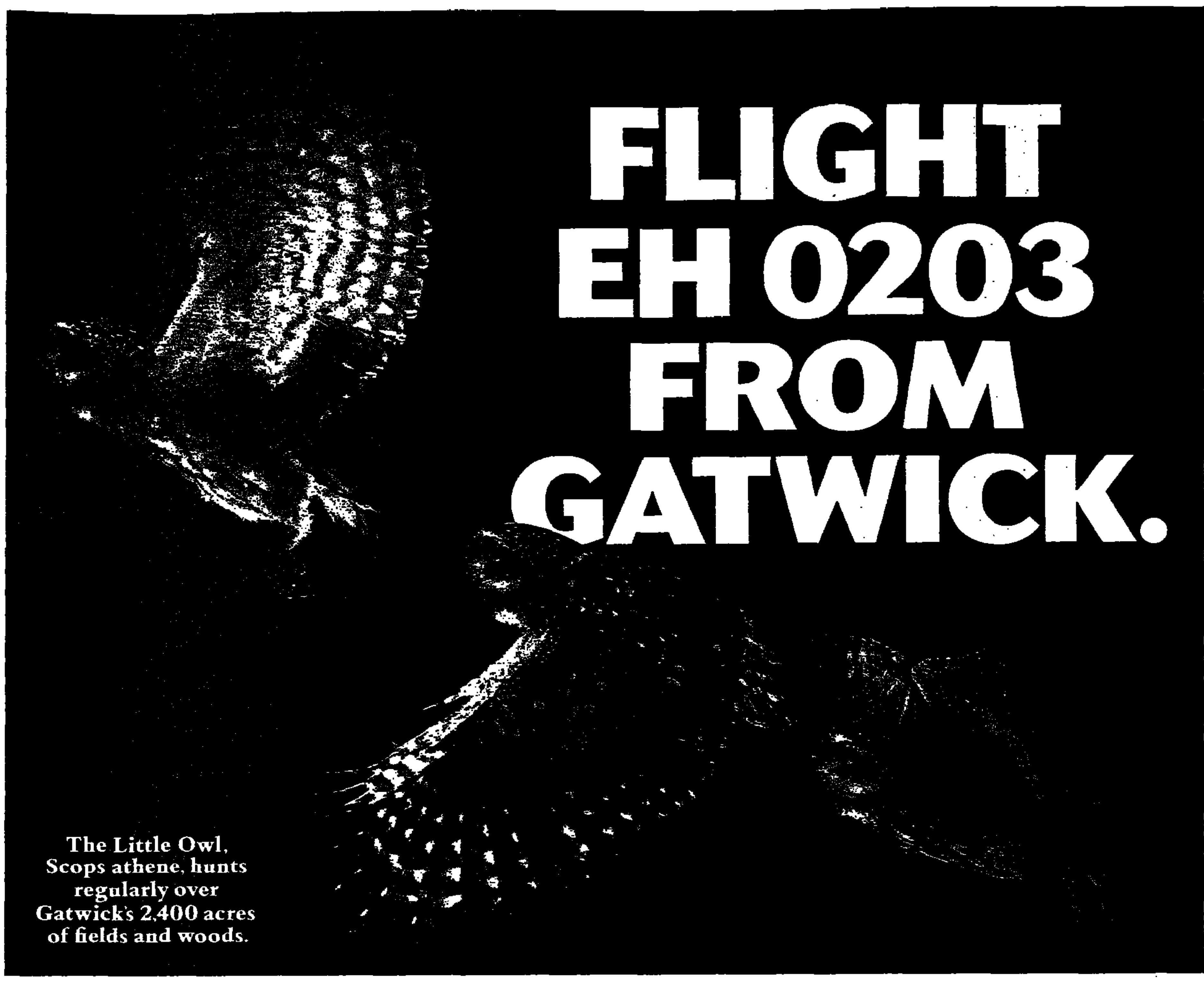
Cadbury Schweppes

MANAGEMENT PROVEN IN THE MARKET PLACE



Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE.

FLIGHT EH 0203 FROM GATWICK.



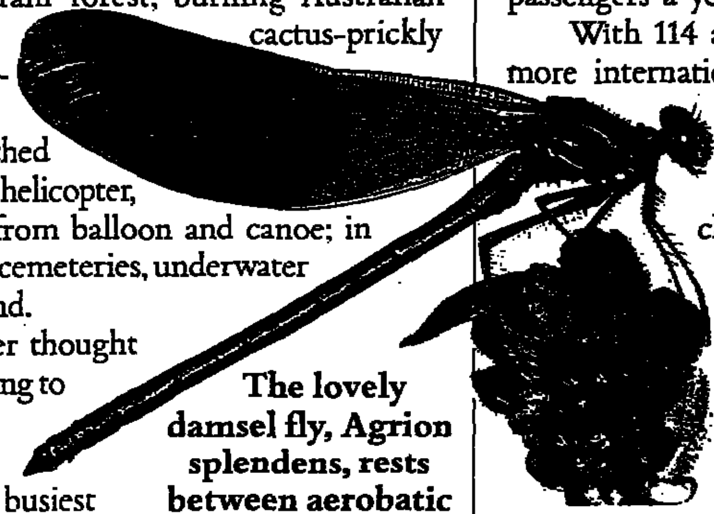
The Little Owl, Scops athene, hunts regularly over Gatwick's 2,400 acres of fields and woods.

When naturalist Gerald Durrell goes on safari at the world's second busiest international airport, anything can happen. So welcome to Gatwick, where the jumbos co-exist happily with a herd of roe deer and where the first flight from the new £210 million North Terminal was a little owl.

I have been to see animals and plants in some extraordinary places: frozen Russian tundras, the Brazilian rain forest, burning Australian mountains, the cactus-prickly deserts of Southern Arizona.

I have searched for creatures by helicopter, on horseback, from balloon and canoe; in catacombs and cemeteries, underwater and underground.

But I never thought I would be coming to see animals and plants at the world's second busiest international airport.



The lovely damsel fly, Agrion splendens, rests between aerobatic stunts.

It was therefore with a certain scepticism that I boarded the canary yellow Land Rover that was to carry us on our mini-safari to the wilds of Gatwick.

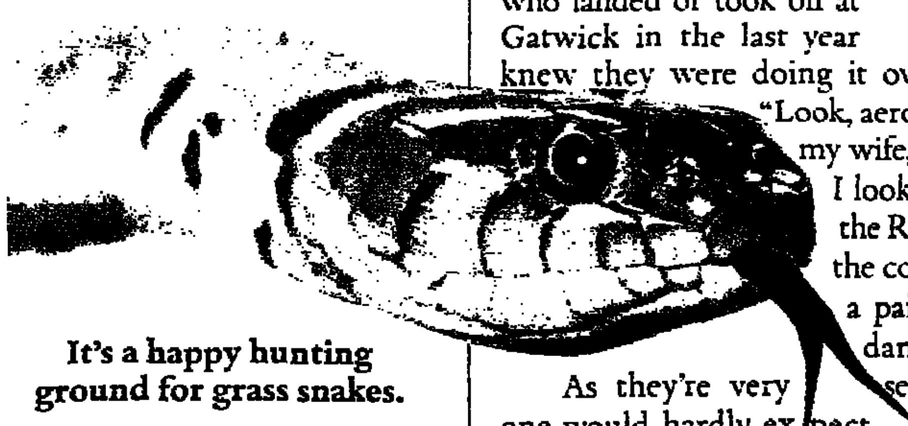
Our guide was Alan Baldock, who has worked at the airport for twenty years and appears to know every field, tree, bird and animal intimately.

The tour began where the River Mole emerges from a concrete culvert that channels it under the main runway.

"See how it's reverting to nature," said Alan enthusiastically. "Fish lurk about in the mouth of it. There are stalactites growing inside and a thriving colony of bats live there."

(I wonder how many of the twenty million people who landed or took off at Gatwick in the last year knew they were doing it over a bats' roost.)

"Look, aerobatics!" cried Lee, my wife, suddenly. Startled, I looked up, but it's not the Red Arrows buzzing the control tower, it was a pair of blue Agrion damselflies.



It's a happy hunting ground for grass snakes.

As they're very sensitive to pollution one would hardly expect to find them at the world's No.2 international airport. (The new North Terminal, I am informed, will enable the airport to handle some twenty-five million passengers a year.)

With 114 airlines flying in and out – and more international travellers than New York's Kennedy Airport – you'd expect the environment to be inimical to wildlife. But from what we saw, clearly it isn't.

Sticklebacks, roach, dace and even pike swarm in the sherry-brown water of the river, and Lee and I saw the opalescent flash of a kingfisher hunting from bank to bank.

The woods nearby are full of plants with wildly poetic names – Adder's Tongue Fern, Enchanter's Nightshade, Dog's Mercury, and something that should surely be banned from airports – Yorkshire Fog.

The Kingfisher surveys his domain on the River Mole.

We moved slowly downstream, to where the Mole has been carefully diverted to make way for the North Terminal.

The massive amount of soil this generated was raised into huge environmental banks, which screen the new terminal and house its central heating boilers.

Foxes use them as sun beds and they also provide a fine larder of voles and field mice for the stoats, weasels and owls that live in the area. (Little owls, plentiful in the Gatwick area, often carry leg rings with numbers that sound like airline flights.)

That the ecology is in good shape is evidenced by the presence of so many predators. In a crisis, the animals at the top of the food chain are the first to suffer.

Next on our agenda was the airport's long-term car park where I was amazed to find that, looking down on 14,000 vehicles, I could hardly see them for trees.

Like many other parts of the airport, it seems to blend into the rolling wooded Sussex landscape. BAA has spent more than £10 million at Gatwick on environmental work since the mid-seventies and planted nearly half a million trees and shrubs.

At the height of summer, looking after the airport's fifty yard thick perimeter belt of trees can be a full time job for several men.

The river Mole's new floodplain, Alan said, is to be planted with rare wetland plants. He pointed out a hemlock water-dropwort with its fern-like foliage.

A Bee Orchid of the kind the ops men were seeking.

"Deadly," he remarked with gloomy relish, and the conversation turned to the nasty surprises that some of the most innocent looking creatures can give a naturalist.

In Australia, for example, I take great care with the Duck-billed Platypus, so charmingly like Donald Duck in a fur coat, but with venomous spurs on its legs. And I always watch myself around hippos and elephants during the mating season for fear of being mistaken for a rival.

"It can get a bit like that here," said Alan, "in the breeding season. The bucks get all uppity with each other."

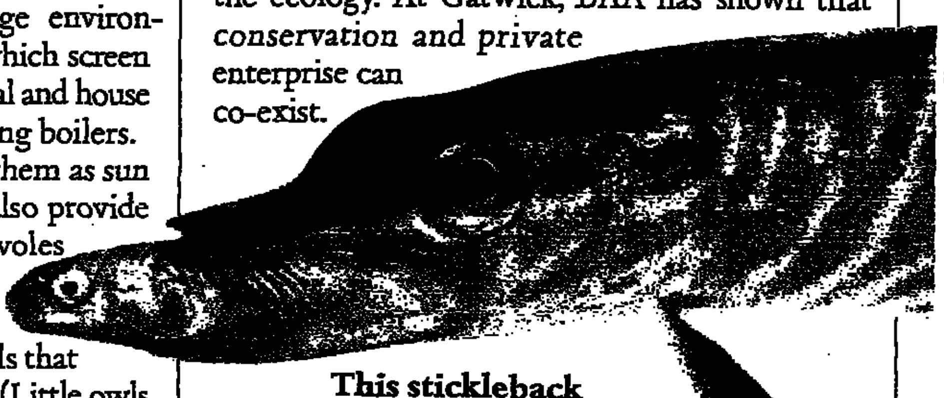
Bucks? Did he say 'bucks'? But after bats, pike and fine-leaved hemlock water-dropworts, why should it surprise me that there are roe deer living within four hundred yards of the runway. (Kept off it, I should add, by more than a mile of seven foot high deer fence.)

Sadly, the deer were shy, but in spacious green meadows framed with woodland we saw two herons pacing, grey as churchwardens in the lush grass.

Twenty million people each year land and take off within 400 yards of a herd of wild Roe deer.

We soon discovered what they were after. The grass was full of baby frogs, glistening as if newly-enamelled.

All my life I have urged companies that own land to look after it responsibly. Not to damage the ecology. At Gatwick, BAA has shown that conservation and private enterprise can co-exist.



This stickleback looks decidedly down in the mouth – of a pike!

For some time, we had been followed by two airport operations men in a yellow BAA Land Rover.

"Are they afraid I will pinch all your flora and fauna?" I asked Alan. He pulled over and the other vehicle came alongside.

"If you're looking for Bee Orchids, we'd like to see them too," explained the 'ops' men.

It was the perfect end to an extraordinary day.

B·A·A

The world's leading international airport group.

Heathrow · Gatwick · Stansted · Glasgow · Edinburgh · Prestwick · Aberdeen

APPOINTMENTS

Company secretary at Reckitt & Colman

■ Mr David Clifford, company secretary of RECKITT & COLMAN, will retire in October 1989. He will be succeeded by Mr David Saltmarsh, who has been appointed company secretary from June 1. Mr Saltmarsh has been group treasurer since 1984. Mr Malcolm Ward, at present regional accountant, North America and Asia, in the group's London headquarters, becomes group treasurer from June 1. Mr Mike Turrell has been appointed managing director of Colman's of Norwich. He succeeds Mr Vernon Sankey who has become president of group subsidiary Durkee French Foods in the US. Mr Turrell joined the company in 1963.

■ Mr Gordon M.W. Owen, deputy chief executive of Cable and Wireless, and managing director of Mercury Communications, has been appointed a non-executive director of PORTALS HOLDINGS.

■ Professor William Taylor, vice chancellor of Hull University, has been appointed a non-executive director of J.H. FENNER (HOLDINGS). Mr T.P. Thornton, a non-executive director, has retired.

■ Mr Andrew J. Strett has been appointed group company secretary of THE WERNICK GROUP. He was assistant clerk to Brentwood District Council.

Mr Vincent Davidson has been appointed marketing director of PLATIGNUM. He joined the company in October last year when E.J. Gray (Holdings) were taken over.

CL-Alexanders senior posts

■ Mr George Gibson has been appointed managing director of CL-ALEXANDERS LAING & CRUICKSHANK EURO-SECURITIES. He joins from Deutsche Bank Capital Markets (London), where he was executive director in corporate finance. Mr Steven Astaire, deputy managing director in charge of sales and trading, was with Astaire & Co., as director (Eurobonds). Mr Mike Lawrence remains a director and will be in charge of new issues and capital markets.

■ Mr Roland Dillon and Mr Lawrence Parnell have been promoted to joint deputy managing directors of TAYLOR WOODROW PROPERTY COMPANY.

■ Mr Graham Holgate has been appointed to the board of AEROSPACE ENGINEERING. He is managing director of Cooper Merseyside, a subsidiary.

■ Mr Philip Williamson has been appointed a director of UK LAND, and company treasurer. He joins from Lloyds Bank where he was a divisional manager of UK retail banking.

■ TSB GROUP has appointed Mr Ted Ettershank as managing director of UDT Commercial Finance, the group's factoring and invoice discounting arm. He was chief executive of International Factors Ireland, a subsidiary of the Bank of Ireland. Mr Murray Chisholm, marketing controller, has been promoted to operations director.

Mr John Dangerfield has been appointed financial director of CORNISH BREWERY COMPANY, Redruth. He will also oversee the financial aspects of two associates in the J.A. Devenish group - Devenish Free Traders, Honiton, and Seligman Free Traders, Birmingham.

■ Mr Ian R. Dighe, head of corporate finance, has been appointed a director of MANCHESTER EXCHANGE AND INVESTMENT BANK.

■ THE SUN LIFE GROUP has appointed Mr Ian Gillespie-Smith as managing director of direct sales subsidiary Sun Life Unit Services. He takes over from Mr John Langton who retires on November 30. Mr Don Hales, previously marketing director, becomes deputy managing director.

■ Mr Derek Dainton has been appointed to the board of THE MOORGATE GROUP. He is managing director of IETC, a Ketson Group company. Moorgate was recently acquired by Ketson.

■ AMERICAN EXPRESS has appointed Mr Barry Tyrrell as director of tour operations in London to expand travel product marketing. He joins from Speedbird Holidays.

Mr Peter Kingsley has been appointed finance director of INA BEARING COMPANY. He joins from Coats Viyella.

Domino Amjet research post

■ Dr Richard Frank Mitchell has been appointed research and development director of DOMINO AMJET, Cambridge, the main operating company in the Domino Group. He was international development

Dr Richard Mitchell

manager at Philips Radio Communications Systems. Mr Frank J. Skinner has been appointed director of sales and marketing. He was sales director of Davy Corporation's Senelco. Mr Gerald W. Klopp has been appointed chief financial officer of Domino Amjet Inc., the group's US subsidiary based near Chicago. He was controller and chief accounting officer, Sargent-Welsh Scientific Company Inc.

■ Mr Pat Falconer has been appointed managing director of INDEPENDENT RADIO SALES. He was deputy managing director. Mr Brian Mallon has been appointed director - marketing of Crown Communications Radio.

■ BIMEC INDUSTRIES, Birmingham, has appointed Mr Roy Windley as managing director, Mr David Duerdon as financial director, Mr David Fielding as technical director, Mr Brian Coar as marketing director, and Mr Richard Thorley as production director of recently-acquired mechanical subsidiary Aero & Industrial Technology, previously owned by Lucas Industries.

Associate directors at Burton

■ The following have been appointed associate directors of THE BURTON GROUP: Mr S. Campbell, buying and merchandising director, Debenhams; Mr K. Marks, managing director - home, Debenhams; Mr A. Munro, buying and merchandising director, Debenhams; Mr R. Pym, finance director, Debenhams; Mr P. Ridsdale, managing director, Top Man/Champion; Mr K. Hopkins, managing director, retail systems; Mr C. Minihan, managing director, acquisitions and development; Mr G. O'Brien, group financial and planning controller; Mr M. Prentice, managing director, systems, financial services; Mrs M. Salmon, retail sector and corporate personnel director; and Mr R. Dietz, mergers and acquisitions director.

STILFONTEIN GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)
(Company Registration No. 05/33412/06)

ANNOUNCEMENT TO SHAREHOLDERS

Chemwes Limited, a company in which Stilfontein has an 80 percent shareholding, announced in its latest quarterly report (which was published on 20 October 1988) that its major customer had requested the cessation of further deliveries of uranium oxide.

That customer has subsequently given written notice of termination of its agreement to purchase uranium oxide. Under these circumstances, Chemwes is unable to continue operating on a commercially viable basis, and accordingly the board of Chemwes has resolved to cease operations by the end of November 1988. The company's employees have been notified of the situation and the majority of them will be offered alternative employment within the Gencor Group.

Chemwes has submitted a claim to the customer for compensation flowing from the termination of the agreement. At this stage it is difficult to determine the effect on Stilfontein's earnings, however, shareholders will be kept informed of further developments.

Johannesburg, 21 November 1988

Gencor Group

Notice

to the holders of the outstanding FF 495,000,000 5% Equity Notes Due 2003 of
Yves Saint Laurent S.A.
and to the holders of the Warrants of Yves Saint Laurent Parfums S.A.
to subscribe ordinary shares of Yves Saint Laurent S.A.

Notice is hereby given to the holders of the above Notes and Warrants that, at the adjourned Meetings of such holders held at 12.00 noon and 12.15 p.m. (London time) on 14th November, 1988, the Extraordinary Resolutions set out in the notice convening such Meetings published in the Financial Times and the Luxemburger Wort on 29th October, 1988 were passed. Accordingly, the modifications to the Terms and Conditions of the Notes and the Warrants and to the Trust Deed and the instrument by way of Deed Poll constituting respectively the Notes and Warrants have been made with effect from 14th November, 1988 by means of, respectively, a Supplemental Trust Deed and Supplemental Instrument by way of Deed Poll of the same date.

Noteholders wishing to exercise the option to have their Notes redeemed in cash on 2nd January, 1989 at 107 per cent of their principal amount should deposit their Notes, together with all unmatured Coupons relating thereto, with any Paying Agent between 23rd November, 1988 and 8th December, 1988 (both dates inclusive).

Yves Saint Laurent Parfums S.A., Yves Saint Laurent S.A., 21st November, 1988

Paying Agents

Bankers Trust Company Dashwood House 69 Old Broad Street London EC2P 2EE	**Banque Internationale à Luxembourg S.A.** 2 Boulevard Royal L-2953 Luxembourg	**Credit Suisse** Paradeplatz 8 CH-8001 Zurich

Yves Saint Laurent S.A. is a société anonyme incorporated under the laws of the Republic of France on 15th September, 1981, expiring, unless extended, on 15th September, 2080. Registered office 5, Avenue Marceau, 75116 Paris. Share capital 909,442,300 French Francs. RCS number: Paris B 322 879 301.

Yves Saint Laurent Parfums S.A. is a société anonyme incorporated under the laws of the Republic of France on 30th May, 1984 expiring, unless extended, on 30th May, 2083. Registered office: 28-34, Boulevard du Parc, 92521 Neuilly-sur-Seine. Share capital 1,360,992,800 French Francs. RCS number: Nanterre B 329 746 945.

This notice has been approved by an authorised person for the purposes of the Financial Services Act 1986 of the United Kingdom.

This advertisement is issued in compliance with the Council of The Stock Exchange and does not constitute any invitation for any person to subscribe for or purchase shares.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary Shares in the Unlisted Securities Market. It is emphasised that no application will be made for these securities to be admitted to the Official List. It is expected that dealings in the Ordinary Shares will commence on 25th November, 1988.

SelecTV, PLC

(Incorporated in England under the Companies Act 1948 to 1976 with registered number 1456921)

Introduction to the Unlisted Securities Market
acquisition of Witzend Productions Limited
and a rights issue of 35,580,000 new ordinary shares of 1p each at 5p per share
underwritten by Guidehouse Securities Limited

Authorised £	Share Capital	Issued and fully paid or credited as fully paid £
1,500,000	in Ordinary Shares of 10p each	1,372,000
600,000	in Ordinary Shares of 1p each	505,800

SelecTV, PLC operates satellite master antennae television systems and is a leading independent producer of light entertainment and comedy drama series for television.

Full particulars of the Company are available through the Extel Unlisted Securities Market Service and copies may be obtained during normal business hours on any weekday (Saturday excepted) up to and including 8th December, 1988 from:

Guidehouse Securities Limited, Vestry House, Greyfriars Passage, Newgate Street, London EC1A 7BA	Richards Butler, 5 Clifton Street, London EC2A 4DQ	SelecTV, PLC, 18 Earl Street, London EC2A 2AL

and during normal business hours on 25th and 28th November, 1988 from Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London EC2A 1DD.

21st November, 1988

MANAGEMENT

Reform should start with the boardroom

Gordon Best gives his view of what action should be taken in the UK's National Health Service

The Prime Minister's review of the National Health Service has now reached a watershed. The review team has agreed in principle how the NHS should be reformed; the outstanding issues relate to implementation.

Implementing significant change in an organisation as large and complex as the NHS is a risky business. More to the point, should the implementation process be mishandled, all of the review team's efforts could be undermined and the NHS plunged yet again into crisis. To minimise the chances of this happening, the review team would be well advised to look carefully at how such issues are handled in the private sector.

Although there are important differences, many of the problems of the NHS have clear counterparts in the private sector. For example, private sector companies often find that their pattern of capital investment in land, buildings and production capacity, limits how they can respond to new demands.

The same is true of the NHS; two of the more obvious examples of this phenomenon are the investment in acute hospital services in London in contrast with the rest of the country, and the enormous investment in long-stay institutions when most long-stay patients would be better cared for in the community.

A second problem which many private sector companies would find familiar is that the rigidly segmented markets of suppliers make it difficult to co-ordinate production, marketing and sales. The NHS counterpart is the rigid boundaries between hospital, community and primary care services which make it difficult to co-ordinate delivery.

A third example is the need to identify and then phase out unprofitable or obsolete product lines. The NHS faces this problem in relation to a range of expensive but sometimes ineffective procedures and therapies.

The list of similarities is a long one: and there are some important lessons to be learnt from looking at the way well-managed private companies tackle these kinds of problem.

Perhaps the most important lesson for Mrs Thatcher's review team is that the first step most private companies would take would be to sort out the boardroom. The reason for this is simple. No organisation – public or private – can hope to address such an array of problems and implement the changes required to correct them without strong leadership and clarity of responsibility at the very top of the management hierarchy.

Strong managerial leadership is, however, a scarce commodity. Ideally, it has at least three key ingredients. The first is the ability to fashion a vision of the way things need to be in the future in order to overcome present difficulties.

The second lies in the ability to "sell" that vision down the managerial line in order to motivate those responsible for implementing change. And the third is the ability to clarify responsibility in such a way that each and every manager is clear about what is expected of him or her and how that performance is to be assessed.

The lessons for the Prime Minister's review team could hardly be clearer. If exciting but untested proposals such as independent NHS hospitals and internal markets are to be implemented successfully, then the top of the NHS hierarchy cannot be left intact.

In particular, the NHS management board has never been in a position to provide strong managerial leadership for the service. For a start, the board's membership consists of civil servants, representatives of the main NHS professions, politicians and managers; hardly a grouping which in its entirety could be expected to fashion a common vision or provide a consistent managerial lead to those lower down the line.

Equally worrying, there is little clarity of responsibility at the top of the NHS hierarchy. The artificial subdivision of responsibility for management (the Board) and for policy (the Department), overlaid by the separation of hospital services from primary care, effectively ensures that there is little clarity about who is responsible for different aspects of NHS performance. No such confusion would be tolerated in the boardroom of a well-managed private sector organisation.

The NHS "boardroom" requires reform. What the review team must now do is reform it in such a way that it will be capable of implementing those changes which the review itself will set in train.

As a starting point, it should be accepted that the NHS is such a political minefield that Kenneth Clarke, the Secretary of State, will be in the chair in the new NHS boardroom. Directly under and directly accountable to him, there is a need for a strong, respected and experienced manager capable of translating political intent into managerial policy and then motivating managers (and others) to find ways of making that policy a reality.

But if this person is to do Clarke's bidding and maintain his confidence, his energies must be focused primarily on translating political intent into managerial policy and not be diluted through involvement in more operational concerns.

For this purpose, the new "deputy chairman" should be served by two key managers charged with the responsibility of driving the implementation process. The first should be a respected and experienced NHS manager who, in the chief executive role, would be required to sell central policy down the managerial line while simultaneously testing those policies against the realities faced by NHS managers in the field.

The second key lieutenant should be a respected, practising NHS clinician charged with the responsibility of providing "clinical leadership" for the service. The key role which doctors will need to play in implementing the reforms likely to emerge from the review cannot be underestimated. This role cannot be left to evolve: it will need to be led and driven from the top.

Under this triumvirate should be gathered responsibility for all aspects of NHS management across both the hospital and community health sector as well as the family practitioner service.

Key managers from both of these sectors should be co-opted onto the board as appropriate to integrate lines of managerial responsibility and drive implementation across care sectors. Together with appropriate functional managers (eg finance, personnel, etc) this should comprise the core members of the reformed management board.

Attempts to dilute the managerial character of the board should be resisted. In particular, both civil servants and representatives of the NHS professions should be seen as advisers to, rather than members of, the board.

In chairing the board, Kenneth Clarke should provide leadership and seek and expect the best advice in doing so. But he should distinguish sharply between policy advice and formulation on the one hand, and the process of managing the implementation of change, on the other.

If he wishes his ideas and his Government's policies to be implemented successfully, then he should insist on a clear, explicit and unencumbered managerial line stretching from the board to the point of implementation within the NHS. The alternative is a fragmented vision interpreted differently by different interests with little capacity to implement major reform.

If experience in the private sector is an accurate guide, the success of the Prime Minister's review depends on getting the top of the NHS hierarchy right. And while getting the top right will not guarantee success, getting it wrong will almost certainly guarantee failure.

Gordon Best is director of The King's Fund College, which is involved with organisational and management development in the health service.

Professional qualifications

More institutional contenders

Michael Skapinker on the management training controversy

Supporters of the idea that the British Institute of Management should be responsible for granting national management qualifi*cations argue that there is no* other body in the UK capable of doing the job.

Not so, say five other well-established professional organisations. The courses they run could form the basis of a new foundation course in management. The BIM, by contrast, has little experience of granting qualifications or administering examinations, they say.

The five organisations involved are the Institute of Personnel Management, the Institute of Chartered Secretaries and Administrators, the Institution of Industrial Managers, the Institute of Purchasing and Supply, and the Institute of Administrative Management.

Barry Barker, chief executive of the chartered secretaries institute, says that plans to turn the BIM into a char*tered institute of management* are a "red herring" and do not address the question of how best to provide proper training to as wide a group of managers as possible.

"There is no need for such an expensive or complex structure as a chartered professional body, with the rigid strait-jacket of its own examinations," he says.

Barker says that the five organisations have already *made some* progress towards standardising their own foundation courses.

These could be developed into a basic management qualification. After taking a foundation course, managers could then go on to more specialised qualifications.

But aren't these five organisations simply worried about being upstaged by the BIM? Aren't they simply defending their own institutional interests?

Michael Pitfield, assistant director of the Institute of Personnel Management, denies that this is the case. He says he would be happy to see organisations other than the five offering the foundation management course. He says he hopes that the BIM would be among them. Companies could ask for their own in-house courses *to* be accredited too.

"All recognised professional bodies concerned with management education should be able to be founder members of the new organisation, and not just the BIM," says Barker.

The management qualification system should be administered by a national forum, capable of granting approval to all those running properly-constituted courses, he says.

He says that the accrediting body should not be a large bureaucratic institution. "The right structure is a small, efficient accrediting body, on the model of the National Council of Vocational Qualifications, which doesn't issue its own qualifications, but accredits those of others – including management development on the job.

"It should give employees a nationally credible qualification which is recognised by employers across the land. That is what managers want – a credible set of qualifications with which they can travel."

The BIM, for its part, denies that it is trying to exclude *other organisations*. A BIM spokeswoman points out that interested parties are still being consulted on the form that the national system of *qualifications should* take. The proposals of the five organisations "will be given full consideration and there will be discussions before any final decision is made. They've got some interesting proposals. We're not saying it's just us."

She added that the chartered institute of management would have places on its council for other interested individuals and organisations, whose qualifications could also be accredited.

But would *that* not mean that the BIM would still be the dominant institution? "We are the largest management institution of its kind in Europe," she said. "We've got the structure and we've got the members – many of whom are members of other institutions."

Management abstracts

People productivity: marketing's most valuable asset. *A.J. Magrath in The Journal of Business Strategy (US), July/Aug 88 (3 pages)*

Discusses how marketing management, in the never-ending search for increased productivity, attempts to reduce sales costs, expand distribution, and speed up new product development. Sees marketing skills as the keys to success, and points to the talents, eg computer literacy, that marketers should possess and develop; outlines how to encourage a greater yield from such talents.

The myth of globalisation. *S.P. Douglas and Y. Wind in the Columbia Journal of World Business (US). Winter 87 (11 pages)*

Argues that effective global marketing strategy does not necessarily *entail the marketing* of standardised products and global brands worldwide, but should include strategic options, based on clusters of *countries or consumer segments* according to the product's particular attributes. Following an analysis of the forces affecting product global*isation*, the result could take the form of a mix of strategies related to country characteristics and customer preferences, and to potential synergies from *international* operation.

The future of merit pay programmes. *J.F. Sullivan in Compensation and Benefits Review (US). May/June 88 (9 pages)*

Reports that merit-pay programmes (increases awarded largely or exclusively on the basis of individual performance) are losing popularity (in the US), while other pay-for-performance schemes are becoming more widely used. Sets out conditions in which merit pay will continue to be applied and introduces the concept of matrix-formatted guidelines; explains how these work. Reviews other approaches, including a "lump-sum award determination matrix". While this approach is said to be gaining in popularity, it is suggested that it can be combined with merit pay.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

ARCHITECTURE

Genius restored

Colin Amery visits Sir John Soane's Bank Stock Office at the Bank of England

This week the bells of St. Paul's should be rung in celebration of a glorious resurrection. The Bank of England has, as part of the enlargement of its museum, rebuilt the great Bank Stock Office by Sir John Soane. The result, which can be seen by all as part of the museum, is *one of the finest and historically* one of the most significant Neoclassical interiors in Europe.

Sir John Soane (1753 - 1837) was appointed architect to the Bank of England with the support of the then Prime Minister, William Pitt, in 1788. What better way to make amends for the virtual destruction of Soane's great Bank than to commemorate the bicentenary of his appointment with the restoration of the first room that he completed?

Soane succeeded Sir Robert Taylor and masterminded the growth of the institution on adjacent sites around Threadneedle Street, working on his complex designs until 1833. When he completed his extremely grand original series of domed and vaulted halls and surrounded them by a continuous wall of austere beauty, the result was one of the greatest buildings in Europe.

Why do we not see it today? Was it a victim of the Luftwaffe? Did it collapse through structural infelicities? No. It was destroyed by the Governors and Directors who commissioned Sir Herbert Baker from 1921 to 1937 to rebuild the Bank to provide more office space on the same site.

Soane's single storey halls were replaced by office seven storeys high. This was not enough and the Bank eventually had to build more in the City and elsewhere. Much of the blame must lie with Baker, who pretended that he was keeping elements of Soane's design, but was in fact erecting a dismal paraphrase. In his autobiography Baker tried to give the impression that he had preserved the best rooms, but his overpowering new buildings, built in the 1920s and '30s, retained only the south and west sides of Soane's screen wall. Sir Nikolaus Pevsner describes the demolition of Soane's Bank as "the worst individual loss suffered by London architecture in the first half of the 20th century."

The fortunate thing about Sir John Soane is that every scrap of paper, every model and drawing concerned with his architectural career is preserved in his Museum, which he left to the nation. There are two chests of accounts, a mass of correspondence, 14 bill books and over 600 drawing dealing with the Bank of England. It is this miraculous archive that has made possible the accurate restoration of the *Bank Stock Office*, together with detailed measured drawings by F.W. Troup made before Baker's demolition in 1924.

The great domed room is top lit and the classical sources of the design repay investigation. Clearly Soane looked at the Roman baths of Diocletian and Constantine; a more immediate inspiration can be seen in the church built by Soane's friend and mentor, George Dance: All Hallows London Wall, with its classical clerestory. This church is considered to be the first strictly Neoclassical building in Britain in both its Roman derivation and in the unusual treatment of the orders. There are sketches by Dance that lead directly to Soane's original design for the Stock Office.

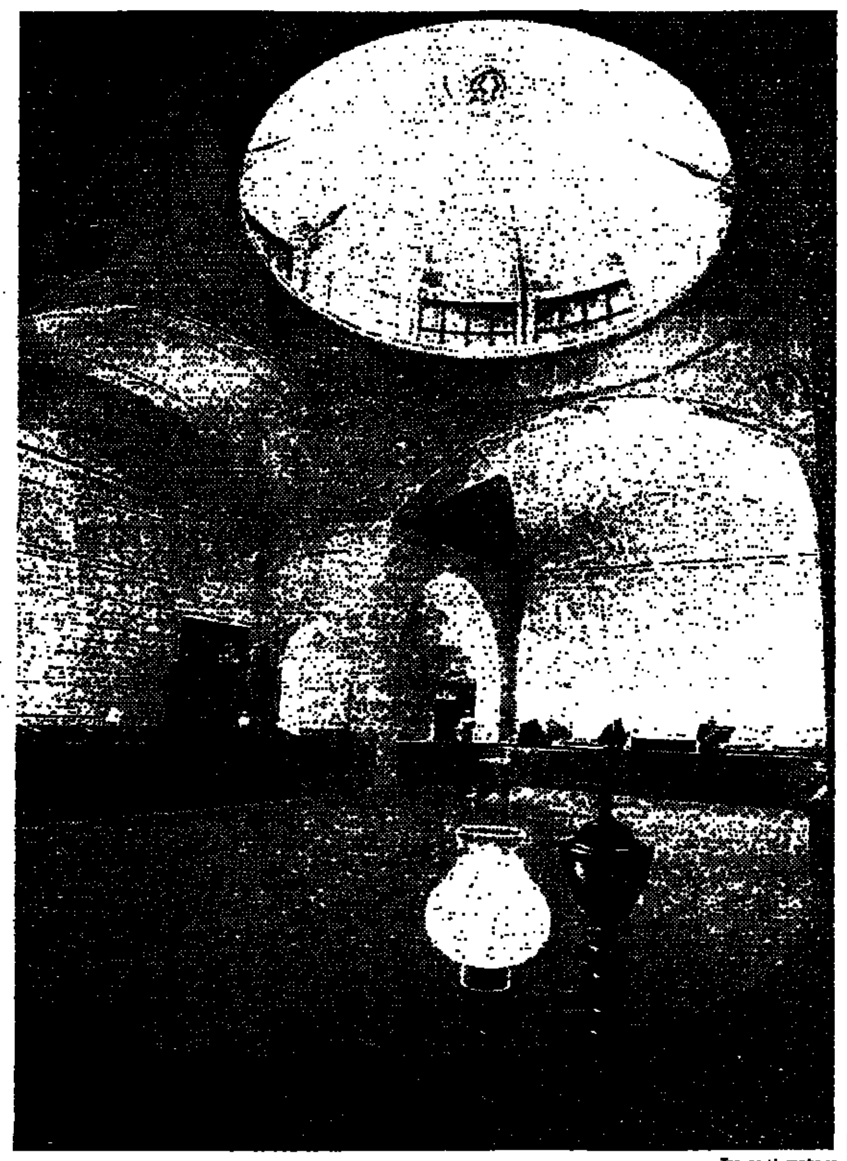
But there are substantial variations between the built design and the early drawings. The proportions of the completed room are far from being purely classical and there is no consistent use of an order. It is a free design and in its day must have been seen as daringly unconventional.

There is a primitivism in this room that is powerful and disturbing. As the orders could not cope with proportions of such an unusual kind, Soane uses vertical strips in relief wherever you might expect columns or pilasters. The shallow lantern is supported on metal brackets and the mysterious light from above that shines so effectively in the great watercolours in the Soane Museum is replaced here by some artificial lights. The plaster work rosettes, paterae, and fretted string course have been meticulously reconstructed. The dome here is really a series of pendentive curves that support the oculus of the lantern.

There is something sublime about the design of the Stock Office: the architects (Higgins Gardner and Partners) and the Bank's researchers, aided by the Soane Museum, have achieved that sensation in the reconstruction. It is one of the finest rooms in London and an act of extraordinary benevolence on the part of the Bank of England to restore it. Any visitor would be well advised to follow it by a visit to the Sir John Soane Museum in Lincoln's Inn Fields, where the detailed and glorious watercolours of the whole of the Bank can be examined.

Soane is still underappreciated as a teacher and interpreter of the classical language, and it is hard for us today to see his total originality. He learned from his mentor George Dance and was enlightened and enchanted by Italy. But what he produced marked an architectural revolution, reinterpreting the language of classicism. He endowed architecture with passion and romance: his buildings have a "temperament," which is not the same thing as character since it is a quality that verges on the poetic. Schinkel had it too, in Germany and Ledoux in France, but it is the rarest architectural gift.

The Bank of England Museum will be open free of charge to the public from November 21. The restored Bank Stock Office houses exhibits about the architecture of the Bank; the remainder of the museum, in one of Herbert Baker's rotundas, is devoted to the workings of the Bank. But the finest thing there is Soane's sublime room — a renewed testament to his genius.



Trevor Humphries

The Bank of England's Bank Stock Office restored to the original designs by Sir John Soane of 1792 is part of the new museum.

Bryars, Rihm, Ruders

SOUTH BANK, RADIO 3

An evening of Gavin Bryars is a relaxing, civilised affair; nothing grates, the performances are always instinctively musical, and surprises are always teasingly scattered along the way. The programme that the Gavin Bryars Ensemble has been touring for the Arts Council Contemporary Music Network is a nicely planned survey of his works from the last decade, including a foretaste of his chamber opera, *Dr. Ox's Experiment*.

Certainly rehearing older Bryars pieces was pleasurably nostalgic. *My First Homage*, the 1978 wistfully elegaic remembrance of Bill Evans, and *Out of Zaleski's Gazebo* (1977), in which eight hands at two pianos run through systems of minimalised harmonies only to dislocate them with peremptory cadences culled from Percy Grainger, are entirely successful and elegantly proportioned. But the First String Quartet (1985) and *Les Fiançailles*, extracted in 1983 from his contribution to Robert Wilson's *Civil WarS* carry less sustained interest.

The new opera is based upon Jules Verne's novella of the same name. The libretto is by Blake Morrison, and the extract which ended Friday's concert is substantially its last scene, in which much of the preceding scenario is recapitulated by the main female character. It was sung here with compelling force by Sarah Leonard, and many of its ideas had memorable identities, as instrumental lines snaked around the voice to create a dream-like narrative. Bryars's earlier opera *Medea* has yet to be seen in Britain, and *Dr Ox* is still to come to fruition. Doubtless an opera-house commission would hasten the process. Meanwhile ENO makes us suffer an imported inanity like Philip Glass's *The Making of the Representative*.

*

The second of the concerts given in the Elizabeth Hall last week by the Chamber Orchestra of Europe under Claudio Abbado included a British premiere. Wolfgang Rihm's *Zweiter Doppelgesang* from 1983 proved to be a disappointing sample of a composer whose prodigious output is scarcely explored here. It is a restrained, meditative exercise without of imaginative colour or surprise to give it piquancy.

The British premiere of Poul Ruders' "symphonic skyline" for large orchestra, *Manhattan Abstraction*, proved to be an bracing, joyous discovery. Its was the final element in an invitation concert from the BBC's Maida Vale studios last Thursday, broadcast on Radio 3. Completed in 1983, it is the most substantial of Ruders' works to be heard in Britain – a 20-minute paean to the contradictory fascinations of New York, in which his long-standing preoccupation with the permutations of change-ringing is used to produce music that is both rigorously controlled and energetically muscular.

Ruders is a constantly surprising, multi-voiced composer; the music written since *Manhattan Abstraction* tends to have softer edges and more diversity. In its bounding rhythms and clean-cut harmony this American homage has the appropriate feel of Copland or early Carter, and the sweet-toothed violin solo into which the huge mechanism collapses just before the end provides a perfectly judged catharsis. The exuberant performance by the BBC Symphony Orchestra and Oliver Knussen seemed thoroughly well prepared. They should be encouraged to repeat it soon in a public concert. Ruders is an important figure who is overdue for major exposure here.

Andrew Clements

Bartók Series

FESTIVAL HALL

This final concert of the Bartók series on Thursday night was dedicated to Antal Dorati, who died last Sunday week. During a long and distinguished association with the London orchestras, this conductor gave the impression that countless composers were close to his heart, but probably none was more so than Bartók, to whose music he always brought the deepest understanding.

In the event it was perhaps fitting that this concert should also have introduced to London audiences the most recently discovered (at least by the West) of Hungarian musicians, a remarkable young violinist, Vilmos Szabadi. For with his appearance there was immediate and tangible proof that the tradition of music-making in Hungary lives on and is continuing to give birth to artists of the finest stature.

Szabadi is that marvellous happening: a young player who springs upon the public fully-formed in every way. The technique is of the type that can be forgotten, not just because it is clear from the first bar that he will be able to play all the notes, but because he so clearly uses it as the means to an end and his performance of the Second Bartók Violin Concerto duly unfolded as the most intuitively musical of readings.

The partnership between him and Solti, as conductor, was a complementary one in its artistic insights. Szabadi does not perhaps have the quixotic, highly-strung intensity that makes Kyung-Wha Chung's playing on Solti's recording so memorable; but the earthy quality in that deeply-drawn legato playing of his and the guttural kick are just as true to the work, and – by splendid coincidence – to the kind of Bartók Solti has been giving us in this series.

The rest of the concert worked on an equally invigorating level. With the London Philharmonic Orchestra in fine form, there was nothing to stop Solti making this closing programme a memorable affair.

An aggressively rhythmic performance of the *Dance Suite* opened the evening and the main work was the Concerto for Orchestra, vigorous without being over-driven, boldly dramatic but never vulgar.

For Solti himself an exhausting few weeks perhaps, but splendidly rewarding all the same.

Richard Fairman

Line

ORANGE TREE, RICHMOND

This 75-minute psycho-symbolic cat's cradle for quintet of kooks saw the light of absurdist day in New York in 1968 (Richard Dreyfuss taking over one of the roles from the author); an off-Broadway revival is now in its fourteenth year while; the Orange Tree programme informs us, in France the play is "in its twelfth year of continuous performance." These credentials give us a clue as to why, as the programme also plaintively adds, the author's work is rarely seen in Britain.

Israel Horovitz sprang to notoriety with *The Indian Wants the Bronx*. The unflaggingly enterprising and energetic little Orange Tree Theatre opposite Richmond station scored a success with *The Primary English Class* in 1979. But, to judge from *Line* at least, his prevalent vein of quirky allegory has a paradoxically European tinge to it. The French may take it as the sincerest form of flattery but the British, with their own tradition of nonsense and chop-logic, scent whimsical pretentiousness and echt-Sixties homage to theatre of the absurd. That bête noire of the British, the pseudo-intellectual, looms close. Or, even worse, the real intellectual . . .

A bearded beer-swigging slob stands in the middle of the tiny acting space as the audience enters. He munches and sings, having waited patiently all night – for what exactly, we never learn. A young man with sneer and headband, faintly Dylanesque, asks "Is this a line?" (*anglice*: queue) and the seeds of rivalry are sown. A mini-skirted blonde is casually talked into joining the queue; a roughneck; the blonde's wimpish husband. The latter refers hopefully to going to a movie but nobody clarifies, or seems to know, what the queue is for.

The play charts the five characters' jockeying for status (the front of the queue) through subterfuge or force. The blonde makes love with the men in turn, here stylised into song and dance. The Mozart-obsessed boy leads her into a courtly minuet while he warbles Figaro's "Se Vuol Ballare"; the rough whirls her off happily bawling "Sugar in the Morning"; the slob tries more than once, oafishly waltzing her round to "Take Me Out to the Ball Game". And even her husband has a forlorn twirl to "Tiptoe through the Tulips".

The lengths that competitors go to, the urgency of acquiring position – whatever position – are conveyed by the bluff, double-crossing, threats, coercion, rhetoric and physical violence that ensue. Symbolism runs riot for the conclusion, when the tape that embodies the line is eaten then disgorged by the young man, each character unwinding a length from his mouth to claim as his or her own section of the queue.

James Hammerstein directs first-rate performances from a company with no phoney American accents between them – luxurious casting indeed. Serreta Wilson, no stranger to the British stage, is both glamorous and sleazy as the wife who combines sexual scorn with a glimpse of pathos; her ineffectual husband is played by Michael Fitzpatrick, another American, with a faint look of Dan Aykroyd about him. The cast is completed by Ron Travis (hirsute and slow-witted) and Ron Berglas (physically aggressive); and a newcomer to this country, Steven Gefroh, on loan from the Milwaukee Repertory Theatre, who plays the boy with incisive intelligence and sensitivity and is very welcome.

Martin Hoyle

Alastair Muir

The blonde and the rough: Serreta Wilson and Ron Berglas whirl happily

Pop: Yesterday and today

TOWN AND COUNTRY/LSE

Well, was it the dawning of a new age of Aquarius or a gathering of the most doomed collection of cock-eyed optimists since the last meeting of the Govan Labour Party? Only the girl in the darkest corner, pouring over the palms and the tarot cards, could tell, and she was looking depressed. There were not many takers for the incense burners, the Tiger Balm, or the twenty one different brands of cigarette papers, either. As ever the best business was at the bars.

The Town and Country Club in Kentish Town devoted Saturday to the Folk City Rock Festival, the first major re-appearance of the most forgotten music of the past generation – hippie acoustic. The Troubadour, in Earls Court, where Paul Simon blushed unseen in the 1960s, has re-opened for a new wave of earnest youth to *recite their life stories* in public, accompanied by a guitar and a couple of chords, rather than pay out for the psychiatrist's couch. New Acoustic has caught on, minimally: hence the Festival, which introduced the best of the young Troubadours to those artists you thought were either dead, dolphin farming, or sticking joss sticks in their pony tails in a safe place, the likes of Robin Williamson (half the Incredibles), John Renbourn, and Uncle Roy Harper, who was due to disappear into the mystic around midnight.

It was good to be back after twenty years. Everyone looked as if they had dressed hurriedly in the dark; knew their "E" numbers; and would give blood. There was still that appealing amateurishness to it all. You could listen to the nine hour flow of musicians; or shop for a mind expanding experience; or just lie mystically on the floor. The young soloists were either ranters, like Jimmy Woodland or poetic like Andrew Cunningham. By far the best was Felicity Buirski, who in spite of being billed as "the first authentic voice of the post feminist generation" managed to cap Leonard Cohen's throw away delivery and indiscreet lyrics with a voice of purifying power.

For the rest, the total rejection of style and fun was an attractive antidote to the tacky commercialism of the age, but, although it was encouraging to hear so many new songs from new names, the Festival had the feel of a creative trickle rather than that of a cleansing torrent. As Danny Thompson, still pentangling away on the bass with a new band Whatever, launched into a mournful tribute to the late folky Alex Campbell I knew it was time to return to reality and catch the end of Sarah Jane Morris at the LSE.

For a feminist Ms Morris has some old fashioned ideas about dress. She was in sheer black (and bare back) and in a hot sweating packed room gave off vibrations which ranged from Janis Joplin to Julie London, the bar room voice of the former, the late night sensuality of the latter. Her material is as wide ranging, from a distinctive version of "Sunny" to political blues. The potency of such an artist makes New Acoustic seem as wholesome, and as appetising, as a lentil quiche.

Antony Thorncroft

ARTS GUIDE — November 18-24

MUSIC

London

Beethoven Plus, a series of concerts between September 18 and December 10 which seek to set the composer's music in the context of his own time. The work of over 30 of Beethoven's contemporaries will also be featured. Royal Festival Hall, Queen Elizabeth Hall. (928 3191).
Royal Philharmonic Orchestra, conducted by Yuri Temirkanov, with Oleg Kagan (violin). Tchaikovsky. Royal Festival Hall (Tue) (928 8800).
Royal Philharmonic Orchestra, conducted by Yuri Temirkanov, with Evgeny Kissin (piano). Tchaikovsky. Royal Festival Hall (Thurs) (928 8800).
London Symphony Orchestra, conducted by Mstislav Rostropovich. Shostakovich. Barbican Hall (Thurs) (928 8800).

Paris

Orchestre Cologne conducted by Pierre Dervaux, with Tedi Papavrami (violin). Pierne, Mendelssohn, Mussorsky/Ravel. (Mon) Salle Pleyel (45638873).
Ensemble Orchestral de Paris conducted by Armin Jordan, with Margaret Price (soprano). Haydn, Mozart, Beethoven, Prokofiev. (Tue) Salle Pleyel (45638873).
Mark Pontius, piano recital. Salle Gaveau (Wed) (45626971).

Brussels

Stefaan Cornelus (clarinet), Kristien Devolder (piano). Lutoslawski, Soenen, Francaix, Bernstein, Draskoczky. Palais des Beaux-Arts (Tues) (514.2194).
James Galway (flute), Philip Moll (piano). Dvorak, Feld, Bach, Prokofiev. Palais des Beaux-Arts (Wed) (514.2194).

Bonn

London Symphony Orchestra under Mstislaw Rostropowitch. Beethoven, Shostakovich. Beethovenhalle (Tues).

Frankfurt

Polish National Symphonic Orchestra with Konstany Kulka (violin) conducted by Antoni Wit. Nomiuszko, Schumann and Wieniawski. Alte Oper (Mon).

Berlin

Orchestre de Paris with pianist and conductor Daniel Barenboim. Debussy, Schönberg and Berio. Philharmonie.
Berlin Philharmonic Orchestra conducted by James Levine, with Anne-Sofie von Otter, James Morris, Philip Langridge and the Rias Chamber Choir. Berlioz. Philharmonie (Mon).

Amsterdam

Royal Conservatory Symphony Orchestra. Rienbert de Leeuw conducting the Cage (Tue).
Royal Concertgebouw Orchestra conducted by Carlo Maria Giulini. Schubert, Brahms. (Wed, Thur) Recital Hall.
Eugene Flemm (piano). Bach, Beethoven, Chopin. Concertgebouw (Wed) (718 345).

Utrecht

Bruno Leonardo Gelber (piano). Beethoven. Recital Hall (Mon).
Royal Conservatory Symphony Orchestra, conductor Reinbert de Leeuw. The Cage (Wed).

Vienna

Austrian State Television and Radio Orchestra with the Neues Wiener Vocal Ensemble, conducted by Sir Charles Mackerras, with Elaine Woods and Maria Venuti (sopranos), Robert Brooks and Helmut Wildhaber (tenors). Schubert. Musikverein (Fri).
Austrian State Radio and Television Orchestra, Wiener Mozart Festival. Conducted by Sir Charles Mackerras with Margaret Marshall, Ann Murray, Adelina Scarabelli, and Sona Ghazarian (sopranos) Benedikt Kobel and Ryland Davies (tenors). (Thur) Konzerthaus.

Rome

International Comedians Karel de Rooy and Peter de Jong in mime. Teatro Olimpico (Wed) (393304).
Ermanno di Pasquale (piano). Beethoven, Schubert, Chopin, Andinger Bang Lund, in collaboration with Norwegian Embassy. Teatro Ghione via Delle Fornaci 37 (Thurs) (6372294).

Milan

Scala Philharmonic conducted by Riccardo Muti. Wagner, Liszt and Tchaikovsky. Teatro alla Scala (Mon) (80.91.26).

New York

New Music Ensemble conducted by Robert Black, with Christine Schadeberg (soprano). Schönberg, Harbison, Reynolds, Gideon. Merkin Concert Hall (Mon) (362 8719).
Alicia de Larrocha piano recital. Albeniz. Carnegie Hall (Tue) (247 7800).
Chamber Music Society of Lincoln Center with William Bolcom (piano), Daniel Phillips (violin). Schönberg, Bolcom, Mendelssohn. Alice Tully Hall, Lincoln Center (Tue) (874 6770).
New York Philharmonic conducted by Leonard Bernstein, with Krystian Zimerman (piano). Bernstein, Ives, Del Tredici. Avery Fisher Hall, Lincoln Centre (Tue).
New York Philharmonic conducted by Leonard Bernstein, with Gideon Kremer (violin). Bernstein, Tchaikovsky. Avery Fisher Hall, Lincoln Center (Thur) (799 9595).
David Fedele flute recital. Bach, Martinu, Gaubert, Berio, Muczynski. Kaufmann Hall, 1395 Lexington Av (Tue) (427 6000).
Cynthia Wuco soprano recital. Handel, Hahn, Reynaldo, Faure, Johnson. Juilliard Concerts at IBM Atrium (Wed. Mat, 12.30, free).

Washington

National Symphony Orchestra conducted by Hugh Wolff, with Emanuel Ax (piano). Beethoven, Adams, Ives. Concert Hall, Kennedy Center (Tue) (254 3776).
Chamber Music Society of Lincoln Center with William Bolcom (piano), Daniel Phillips (violin). Schönberg, Bolcom, Mendelssohn. Concert Hall, Kennedy Center (Wed) (254 3776).

Chicago

Chicago Symphony Orchestra conducted by Zubin Mehta, with Marvis Martin (soprano), Maureen Forrester (contralto). Mahler. (Tue) Orchestra Hall.
Chicago Symphony Orchestra conducted by Zubin Mehta, with Pierre Laurent Aimard (piano). Messiaen. Orchestra Hall (Thur) (435 8122).

Tokyo

Bayerisches Staatsoper special concert conducted by Wolfgang Sawallisch, with Kurt Moll, Peter Schreier, Julia Varady, Gertrude Jahn. Beethoven. Missa Solemnis. Suntory Hall (Mon) (505 1001).
Japan Oratorio Association conducted by Hirofumi Misawa. Mozart Requiem. Tokyo Cathedral (Mon) ((824 7337).
Hermann Prey. Schubert, Die Winterreise. Suntory Hall (Wed) (505 1010).

SALEROOM

Keeping the world British

While the heritage lobby girds itself up to keep in this country the Mappa Mundi, the great treasure of Hereford Cathedral, which is now on the market to raise at least £2.5m. to ensure the building's future, (it is inconceivable that such an important national symbol should even flirt with the possibility of a sale overseas), Sotheby's offers another less contentious but almost as important map on Tuesday.

It was drawn up in Peking in 1602 by *the Jesuit Father Ricci*, and while it gave Chinese scholars their first view of the shape of the world it also diplomatically placed China in the middle. The map is vast, consisting of six sections each over two metres high, and only four copies are known, all in museums. This comes from the famed library of Philip Robinson and should make at least £250,000. The Chinese Government will not be bidding.

Meanwhile Sotheby's continues its strenuous efforts to arrange an acceptable private treaty sale for the Mappa Mundi. Heritage bodies know they must save it but they are haggling among themselves and they want to give notice to other cathedrals that they cannot afford to bale out every impoverished institution that suddenly decides to cash in its greatest attraction.

The British Rail Pension Fund, which spent £40m on art in the 1970s when it seemed a good investment, should get back £1m from just one item on Thursday when Sotheby's disposes of some excellent French furniture. Among the British Rail dispersals is a delicate little console table that Marie Antoinette commissioned in 1781 for her favourite room at Versailles, the "Cabinet interieur" where she entertained her friends. It sold in 1972 in New York for $400,000 and then on to the Fund and it should now achieve £1.2m. and perhaps set a record for French furniture.

Christie's is supporting a good cause tomorrow when it offers a very important VC for the benefit of A Medal for Life, a charitable trust that helps children with leukaemia. The medal was awarded in 1916 to Captain William Leefe Robinson of the Royal Flying Corps who achieved great fame by shooting down a Zeppelin over London. The medal has aroused much interest and carries a top estimate of £80,000.

Stanley Gibbons is selling, by private treaty, one of the rarest stamps in the world. It is a cover bearing a pair of the 2 cent "Cottonreels", the first stamps issued by British Guiana in 1850. Offers in excess of £150,000 are anticipated.

Antony Thorncroft

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Monday November 21 1988

RJR: a bid too far

BUSINESS MANAGERS in capitalist countries have obligations to the investors and lenders who provide them with the money on which their business is built. Although the links between owners and managers have been blurred by the growth of large investment institutions, those who provide the finance still have to be confident that it will be fairly rewarded.

This is the central issue in the takeover battle for RJR Nabisco, the US tobacco and food group, and explains why the outcome of the affair will have wide repercussions. The bid represents in extreme form a trend which threatens the integrity of the financial markets.

The basic facts are that the company's chief executive and a handful of colleagues have offered to buy out the public shareholding in a transaction valued at over $20bn. If successful, the offer will be financed by a small amount of equity and a lot of bank debt and high yielding bonds. An outside group has countered with a rival offer, again financed largely by debt.

The potential rewards for managers are enormous, with annual compensation running at tens of millions of dollars a year and an eventual payout which could well be numbered in billions. The question is how this value will be created, and whether it will be at the expense of others with a legitimate interest.

Large incentives

Under the plan, the managers will have large incentives to work very hard and to cut out wasteful overheads. But this is only part of the story. Their rewards will also come at the direct expense of existing bondholders, who have seen the value of their securities tumble in the past few weeks – for the very good reason that, if the deal goes through, the company's ability to pay interest and capital on the loans will no longer be unquestioned. Its balance sheet will have been knocked sideways and so will the balance between annual income and interest expenses.

In practice, the managers would be likely to sell off large parts of the business over time in order to reduce the overall level of borrowing, and the universal assumption is that such sales will be made at a large premium to the values implicit in the bid price.

Other potential gainers include RJR's financial advisers, led by Shearson Lehman. They made handsome fees by underwriting the bonds and they are now earning more fees by putting together a transaction which they must have known would make those same bonds less valuable.

Higher price

It may be argued that the existing shareholders should be happy with the fact that the bid will offer them a much higher price than that which was available until recently in the stock market. But this is not good enough. A conflict of interest is created whenever differences between the market value of a company and its break-up value can be exploited by the managers for their own interests. From the equity holders' viewpoint (although not the bondholders'), this conflict can be mitigated, but not removed, only by an open auction for the business.

Management buyouts have important virtues, but they always involve potential conflicts of interest with the original shareholders. In the US – where the trend is most developed – there have been worrying signs that managers have been increasingly willing to exploit those conflicts to their own advantage. With the RJR deal the problem has shot right off the top of the scale.

There are some signs that potential investors are now beginning to recoil. Moreover, Metropolitan Life has started a legal action alleging that the deal breached an implied covenant of good faith and fair dealing with its bondholders. Whatever happens in the courts, Wall Street is bound to take note of this intervention by one of the country's biggest investors. The best hope is that the market will correct its own excesses before an economic downturn brings a harsher punishment.

The next step in Pakistan

THE MORE days that pass without Ms Benazir Bhutto being called upon by the acting president to form a government in Pakistan, the more likely it seems that the country's decisive step towards democracy in last week's elections may be halted in its tracks, at least temporarily.

The elections were a notable victory for the people of Pakistan, who have been ruled by various forms of military dictatorship for more than half of the country's 41 years of independence. The first full and fair party-based elections for 18 years proceeded without violence or intimidation; there was no military interference and minimal ballot-rigging.

Ms Bhutto's Pakistan People's Party narrowly failed to secure an absolute majority of seats in the National Assembly. But it is by far the largest single party, with 93 seats against the Islamic Democratic Alliance's 54. Furthermore, she can claim to be the only party to have secured a nationwide mandate, the IDA having failed to win a single seat in Sind, the country's second most populous province.

The logical next step is to call Ms Bhutto, who claims the support of enough independents and minority parties to have a majority, to form a government without further delay. Any other course, although not necessarily to Ms Bhutto's long-term disadvantage, would be to deviate from the democratic path so carefully followed thus far. That would be a pity given the scale and breadth of the PPP's success and given the clear message from the majority of voters that they want to cut loose from the parties and personalities previously associated with General Zia's 11 years of military dictatorship.

Complications

Acting President Ishaq Khan's reticence to call her highlights several complications. First, he is not constitutionally obliged to call any particular party in the absence of an absolute majority. Second, he was a loyal supporter of General Zia and although he has played a straight bat so far his personal disapproval of the PPP and its leader is well known. Third, it is too soon to say that the army's admirable invisibility during the election means it has withdrawn permanently from politics. Its general antipathy towards the PPP remains strong in spite of Ms Bhutto's careful courting of the military leadership.

Mr Ishaq Khan's anxieties will have been reinforced by the weekend's provincial elections where the PPP did less well than on Wednesday. Crucially, the IDA won in Punjab, which contains 60 per cent of the total population. It is not uncommon for the same voters to vote in opposite ways in different tiers of the electoral process, as US and Western European leaders know only too well, but the Punjab provincial election result gives the President his best excuse so far to overlook Ms Bhutto.

Impatience

Ultimately, Ms Bhutto might benefit by not being called, provided she can control the impatience of her supporters. She has no parliamentary experience and would learn quickly as the leader of a strong opposition against a weak government. In addition, she might not have to wait long before a new poll and an absolute majority which would guarantee her office, the army permitting. The pressing economic and social problems are severe and a weak and splintered IDA government would be on the ropes from the start. If she takes office now her legislative programme, like that of the US President, will face the formidable obstacle of a hefty opposition majority in the Senate where no elections are due until 1990.

Nevertheless, the president should stick to the fair and proper course. Having got this far so peacefully Pakistan should not impede its own shaky steps towards proving that an Islamic democracy need not be a contradiction in terms. And the army must hold true to its recent discovery that its role is to serve rather than to control governments. Ms Bhutto is clearly going to be tested in power sooner or later and, all the risks and difficulties notwithstanding, the democratic process would, on balance, be best served by not denying her the chance to succeed or fail now.

John Plender looks at the wider implications of the takeover binge

The price of corporate gluttony

Are Anglo-Saxon capital markets too accommodating *towards takeover activity?* Does the market for corporate control generate an economically efficient level and composition of takeovers? These questions are admittedly old chestnuts which tend to resurface at the peak of bull markets and takeover booms. But they have taken on new urgency in view of the controversy surrounding recent corporate raids in Britain and the boom in debt-financed takeovers and buy-outs in the US.

Some leading British industrialists feel that the openness of London's capital market makes them unduly vulnerable to hostile takeovers by foreigners who are not subject to comparable discipline. Sir Hector Laing, chairman of United Biscuits, spoke for many at the recent annual conference of the Confederation of British Industry when he argued that the implications of a wave of foreign takeovers had not been thought through.

From another perspective Mr Jack Hennessy, chief executive of Credit Suisse First Boston, argues that there is far too little merger activity in much of Europe. The fact that only $10bn (£5.5bn) of the $267bn of mergers and acquisitions in the first nine months of 1988 consisted of cross-border acquisitions by European companies is, in his view, an indication that Europe is not restructuring itself vigorously enough to take on the industrial might of the US and Japan.

In the US, concern over the post-1987 crash resurgence in takeover activity has multiplied in response to the sheer size and leverage involved in the recent bids for RJR Nabisco and Kraft which together involve more than $30bn. There is also an undercurrent of hostility towards a spate of foreign bids.

In responding to such fears governments are constrained by one important macro-economic consideration: the countries with the most active markets in corporate control – the US, Britain and Australia – all have current account deficits that are sizeable in relation to gross national product. Direct inward investment and foreign takeover incursions represent the most stable form of long-term financing for those deficits and help reduce dependence on hot money. Given that the same countries also generate a high level of outward investment, the adoption of more restrictive takeover practice would at best be a double-edged weapon.

At the micro-economic level the uneven sectoral impact of the takeover boom also has to be acknowledged. There has been little hostile bid activity in commercial banking, for example, a relatively inefficient sector which might appear a suitable candidate for hostile takeover treatment. But this is partly excluded for reasons of public policy (official shorthand for protection) and for financial reasons: the leverage inherent in the structure of banking rules out heavily borrowed takeovers.

In declining industries such as tobacco, leveraged bids and buy-outs (LBOs) have been offering a solution to the problem of high cash flow and low stock market valuation. But in many internationally competitive sectors such as food manufacture, takeovers are merely providing an alternative to direct investment in brand names and plant; this year's bid by the Swiss multinational Nestlé for the British food group Rowntree was an obvious case in point. In fact much of the activity in the present takeover boom appears to have been motivated less by the textbook pursuit of a more efficient allocation of economic resources than by cruder forms of bargain hunting.

That description certainly fits a large proportion of the more highly leveraged bids. Indeed, the most striking new feature of the present boom is that it has been driven so extensively by bankers who are responding to the pressure of deregulation on their own industry. As the profitability of their core lending business has waned under the pressure of unaccustomed competition, bankers have despatched any remotely plausible entrepreneurial client in pursuit of any takeover target with a cash flow capable of paying fat interest rates and big fees.

Investment bankers have perhaps been motivated more by greed than fear in their corporate financing activity

The *reductio ad absurdum* in this process can be seen in Mr Alan Bond's Australian conglomerate, Bond Corporation, which has been accumulating a predatory share stake in Mr Tiny Rowland's Lonrho despite having a market capitalisation less than a fifth the size of Lonrho's. Since Bond Corporation's latest balance sheet shows a negative net worth after stripping out intangible assets, with a huge mountain of debt, one obvious way for Mr Bond's bankers to improve the quality of their existing loans to his company would be to finance a giant bid by him for any asset-rich group that can be bought at a discount to underlying asset value.

Investment bankers have perhaps been motivated more by greed than fear in their corporate financing activity. But with the invention of junk bonds and the promotion of leveraged buy-outs they have fed the appetite of both commercial banks and savings and loan institutions for high-risk assets that are required to generate above-average returns to bolster depleted capital ratios.

A second conspicuous feature of the bid boom is the extent to which the aggressors appear simply to be reshuffling the pack. Many American academics argue that the share price increases of firms involved in hostile takeovers greatly overstate the efficiency gains from acquisitions and that the benefit to shareholders is often won at the expense of other stakeholders in the acquired business such as employees, suppliers, pensioners and tax authorities.

Andrei Shleifer and Lawrence Summers, respectively of Princeton and Harvard Universities, suggest in a recent paper for the LSE Financial Markets Group that such redistributive takeovers could entail large efficiency losses; and that reneging on implicit contracts – for example with employees or present and future pensioners whose occupational pension schemes may be stripped – arguably destroys one of the most valuable assets owned by shareholders. They point to the US airline industry as a sector where takeover premiums are more likely to have reflected redistribution than efficiency gains.

If they are right, much takeover activity is simply a negative-sum game in which lost management time and investment bankers' fees represent wasted resources. And there is plenty of empirical evidence to support that view. Indeed, a recent paper from Britain's Department of Trade and Industry highlighted the consistency of academic studies in finding either that mergers fail to generate efficiency gains or that the evidence that they did so was inconclusive. On that basis, a regulatory and fiscal bias in favour of neutrality or even of fewer takeovers sounds preferable to a bias in favour of bid activity. The case is further reinforced by the fact that hostile takeovers have played no part in the German and Japanese economic miracles.

The problem is that there are no objective yardsticks to distinguish between efficient and redistributive bids or to measure degrees of regulatory bias. Nor is it possible to quantify the beneficial discipline exerted on management by the threat of takeover and the off-setting inefficiency that arises where profitable long-term investment or research is scrapped under such pressure.

A bias in favour of neutrality or even of fewer takeovers sounds preferable to a bias in favour of bid activity

The German and Japanese examples are also misleading, in that an alternative discipline has been provided there by close long-term relationships between companies and their bankers. In Japan relationship banking is anyway breaking down as high profitability erodes indebtedness to the banking system. At the end of 1987 net debt of all non-financial companies on the Tokyo Stock Exchange was only 26 per cent of corporate equity. So the Japanese corporate sector now has Anglo-Saxon debt-equity ratios but neither Anglo-Saxon nor Japanese discipline, which could spell trouble for the future.

All this suggests that regulatory reform in takeover practice will, at best, be piecemeal and directed at specific excesses. In Britain, for example, Mr John Banham, director general of the CBI, has proposed a short menu of reforms including a reduction in the level of shareholding at which a predator is required to launch a bid from 30 per cent to 15 per cent. Far-reaching change is more likely to come on the fiscal front, where any bias in favour of takeovers can be quantified, and perhaps also in financial supervision.

Certainly in the US there is scope for tax changes. The replacement of equity with debt as a result of leveraged deals involves a substantial redistribution of resources from government to the corporate sector because of interest relief. On some academic estimates, tax savings account for up to 80 per cent of the takeover premium paid by the buyer in leveraged bids and buy-outs. The problem here, as Susan Simon, Washington-based political analyst at Shearson Lehman Hutton, points out, is that tax deductibility for interest payments is almost sacred in the US.

The bias is thus more likely to be tackled by a wider change in the structure of corporation tax. The fact that US companies pay a separate corporation tax means that the after-tax return that can be earned in the corporate sector is lower than the return available in the unincorporated sector. The additional burden is capitalised in company share prices, so that companies tend to be valued in the stock market at a discount to the replacement cost of their assets. That is partly why it is cheaper in the US to buy a company than to invest in new capital goods.

In Britain much of the discount to replacement costs has been eliminated by Mr Nigel Lawson's reform of British corporation tax, completed in the 1986 Budget. And Australia has just moved to a system in which shareholders receive a credit for taxes paid at corporate level. Interestingly, Mr Alan Greenspan, chairman of the US Federal Reserve Board, has combined recent warnings about bank exposure to buy-outs with some kite-flying about a move away from a system in which tax incentives are granted for interest payments but not for dividends. But even if the new Bush Administration is sympathetic, a reforming tax bill would take a considerable time to make its way through Congress.

The rapid build-up in the debt mountain and the ominous slide in the dollar since the presidential election suggests that time is not on the supervisors' side. This is so least of all in relation to the savings and loan institutions, where the regulatory structure has been allowed to run down to the point of folly. The plight of the Federal Savings and Loan Insurance Corporation, which is calculated to need up to $100bn to deal with thrifts that are already in difficulty, will have to be addressed early *in the life of the new administration.*

The trouble with leverage is that it works for shareholders when markets are going up and hurts everyone when markets are going down. With debt service running at more than 50 per cent of US corporations' earnings – the highest level since the war – and with numerous regional banks and thrifts in trouble, the point could soon be reached where the Fed is in much the same position as the bankers behind Australia's Alan Bond. Prudent action, in the shape of a tightening of monetary policy, may be ruled out for fear of the consequences for the debt laden corporate sector.

There are no ideal quick fixes to curb the excesses of the takeover boom. But the least bad solution must surely be a requirement for banks and thrifts to back their LBO loan and junk bond assets with more capital.

OBSERVER

Neighbours fall out

■ Something is clearly up between No 10 Downing Street and the Foreign Office. Or maybe we should take the simpler explanation, which is that the Government information machine is not working properly.

Although one normally inclines to the cock-up rather than the conspiracy theory of politics, this time it looks a little more sinister. Take, for a start, a couple of reports over the last few days. It was said that the Prime Minister was about to snub President Kenneth Kaunda of Zambia by visiting Southern Africa during the Christmas recess without seeing him. That information did not come from the Foreign Office. Indeed the details of the Prime Minister's Southern African trip are still not clear: it could include an incursion into South Africa itself; it may not take place at all.

Then again there is the funny business of whether the Queen will pay a state visit to the Soviet Union. Media reports over the week-end would have us believe that the Prime Minister will advise against. The newspapers often make mistakes, but they seldom make up stories from nothing. Someone has been giving some briefings; almost certainly not the Foreign Office.

There was also the affair of an article in The Times, attacking the independence of the Foreign Office, by one of those right wing mavericks who sometimes claim to have the Prime Minister's ear. Sir Geoffrey Howe, the Foreign Secretary, made (I thought) the mistake of replying to it in a letter to the newspaper. That opened the way to other attacks on the Foreign Office in the same paper, much on the lines of Norman Tebbit's remark that the Office represents foreigners in the same way as the Ministry of Agriculture represents farmers. Mrs Thatcher has not done much to come to Howe's defence.

She was also slow in defending Chancellor Lawson when he got himself into a mess over targeting benefits to pensioners. True, the mess was of his own making, but it was the Schadenfreude rather than the friendly hand that was noticeable in No 10.

The explanation may be that the Prime Minister is steeling herself for the reshuffle next summer when some of the old stalwarts will have to go before the bid for the fourth term. Yet it is a bit early to start distancing yourself from your most senior (and successful) Ministers. It may be dangerous as well when No 10 says one thing and other Departments may say another.

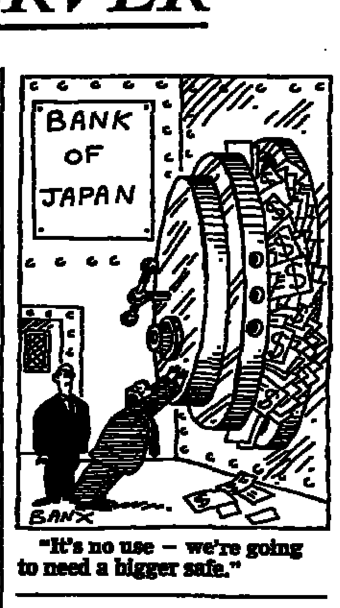
Remember the lessons of the Westland affair. The Departments involved were all over the place on what was a relatively minor matter. Since it was the run-up to Christmas, there was no-one around to prevent the affair getting out of hand. One just detects the beginnings of a similar carelessness, tempered by conspiracy.

MGM's tiger

■ It should have been a lion, of course, but the lion was sick, so a tiger turned up instead. MGM, famous for its roaring lion and old movies, has gone into consumer electronics.

The launch took place at Wallace Heaton in London's Bond Street yesterday morning. The first product is Plugaround Sound, under which you can feed your existing hi-fi system into any room of the house, or even the garage or the garden without connecting wires. You simply plug a small gadget into any mains socket. It is being marketed through a company called International Media Communications and is the first of a series to bear the MGM brand.

The quality of the sound is high and the cost of Plugaround is £199. Yet it still seemed a strange way to launch it. The promised movie stars did not turn up. The existing stock in Wallace Heaton needs a touch of the feather duster and, as I say, the lion was sick. Still, the stand-in five-month-old-tiger was terrific, was kept waiting in a lift as the nearest thing to a cage, took three handlers to contain it and the few children there loved it. Maybe it is the old Hollywood adage: never act in front of children or animals; they will always upstage you.



"It's no use – we're going to need a bigger safe."

Canada today

■ The race for fourth place in today's Canadian election is almost as compelling as for the first.

Eight parties are bidding for the votes of Canadians disillusioned with the platforms of the three mainstreamers. They range from the Lyndon Larouche-inspired Commonwealth of Canada Party to the Communists, who have run in every Canadian election since 1925 and won a seat in the 1940s.

Among those with realistic aspirations are the Greens, who are gaining momentum along with the environmentalist movement worldwide, and the fundamentalist Christian Heritage Party (CHP). The CHP may even have some minor say in the election's outcome. In a handful of rural ridings in Ontario and British Columbia, they may snatch enough votes from the Conservative candidates to let in the Liberals or the left-of-centre New Democratic Party by the back-door.

The same may be said of the Reform Party, which is running on a platform of a fairer deal for western Canada. Preston Manning, the party leader, may even embarrass former Prime Minister, Joe Clark, in his Alberta fief of Yellowhead. Few expect Manning to win, but he should considerably cut the illustrious incumbent's majority.

There is also the Rhinoceros Party. It wants the formation of a Canadian men's synchronised swimming team and a national holiday to be declared for the entire month of February. In 1984 it polled 100,000 votes.

Computer wine

■ Not just a bottle, but 10 cases of claret arrived at the Financial Times for Observer last Friday. It seemed a bit much, even as an early Christmas present. So we started giving them away. It turned out be to a computer error. They were not meant for Observer at all. The wine merchants agreed, however, that we would have had no liability if it had all gone.

EC Commissioner **Willy de Clercq** defends the Community's anti-dumping policy against its critics

Fair practice, not protectionism

As the world's largest exporter, as well as its largest importer, the European Community has a vital interest in maintaining a liberal system of international trade. But liberal trade is only possible, in practice, if industries can be sure that they are adequately defended against unfair trade practices. This is why anti-dumping has become an important feature of the Community's trade policy and why the number of major decisions taken recently has attracted such attention.

Because the Commission has nothing to hide in this area, it welcomes public debate on its anti-dumping activities. Unfortunately, however, much of the recent press commentary on its actions is exceptionally misleading. To the extent that it results from genuine ignorance or misunderstanding of the Commission's activities, such commentary can be regarded with tolerant amusement. But in other instances, the bias shown often reflects views long advanced on behalf of those found to have dumped which have already been decisively rejected by the European Court of Justice. It seems, therefore, that the dumpers are now using their money to mount a media campaign, as a last resort, and there is a need to react to it.

Even though some academics still indulge in debate on the economic rationale for anti-dumping, the principle that injurious dumping is to be condemned is now firmly embodied in the General Agreement on Tariffs and Trade (Gatt). Moreover, all major trading countries take anti-dumping action — not only the Community, the United States, Canada and Australia, but also most Efta countries, Korea, Japan and Mexico. There are several reasons for this approach, not the least being that dumping is considered to be unfair since it is based on an artificial, rather than a true comparative advantage, in the sense that the low price does not necessarily result from cost-efficiency. It has also to be remembered that dumping is made possible only by market isolation in the exporting country, due primarily to such factors as high tariffs or non-tariff barriers and anti-competitive practices. This prevents the producers in the importing country from competing with the foreign supplier on his own ground, while allowing him to attack their domestic market by sales which are often made at a loss, or are financed from the profits made from the sale of the same or different products in a protected domestic market. If anyone has doubts on the fairness of such action, he should ask the business community whether they consider it fair to compete against exporters who have accumulated super-normal profits while operating behind closed doors and then used these funds to attack the export market.

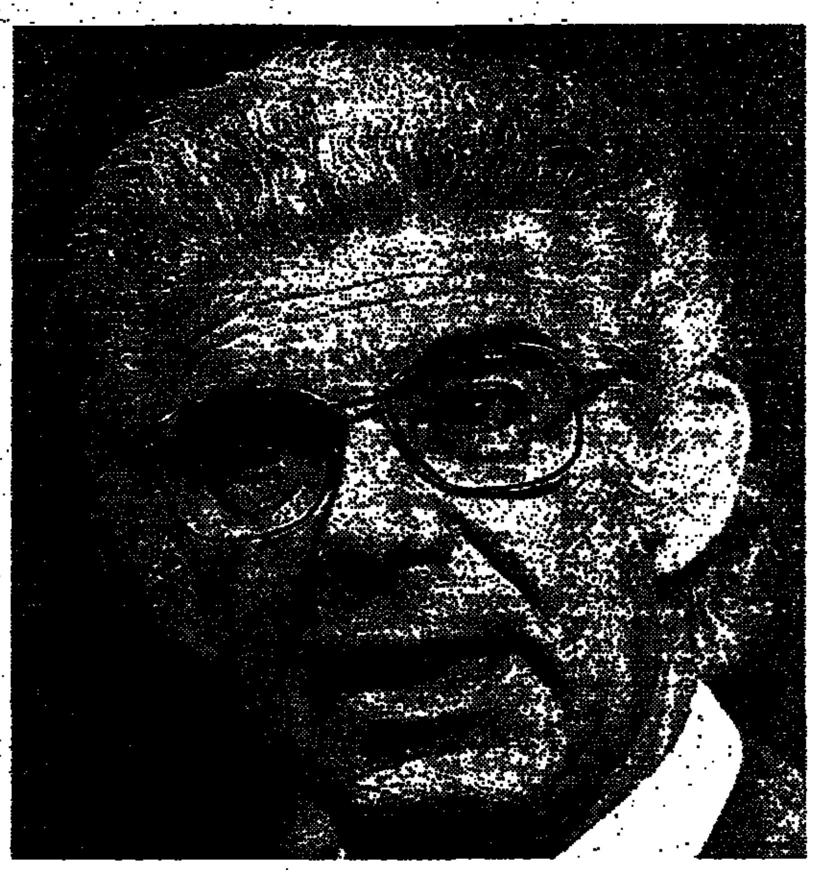
Naturally, the effect of anti-dumping measures is to increase the price of the dumped product to the consumers. But consumers are also producers, and in that role may require protection against other dumped imports. Also, the consumer's interest in gaining from cheap imports in the short term may be outweighed by his long term interest of ensuring the viability of production in the importing country, especially if the disappearance of this production leads to a lessening of competition there, or if the product is of strategic importance.

The Community has always supported the elaboration of internationally accepted rules in the anti-dumping area, as expressed in the Gatt anti-dumping code, and it has strictly applied these rules. As the Community's major trading partners also base their legislation on the Gatt code, there is considerable similarity in the way that dumping is calculated. The Community's policy in this area, however, differs from those of other countries in one fundamental respect, that is it is *incontestably* by far the most liberal. Thus, in contrast to the practices adopted by its major trading partners:

● The Commission only initiates an anti-dumping procedure on receipt of a satisfactory complaint from the industry affected. Moreover, as many unsuccessful complainants can testify, the complaint is subject to the most rigorous scrutiny before it is accepted, and almost half are rejected.

● The Community does not automatically apply anti-dumping measures, even when dumping and injury have been demonstrated. Before doing so it has to be established whether it is in the Community's interest to take such action. This does not mean that anti-dumping is used to achieve industrial policy objectives, but rather that the legitimate expectation of a community industry to be defended against unfair competition is carefully weighed against the interests of others, including consumers and processing industries, before measures are applied. If the interests of these other parties are overriding then no anti-dumping action is taken.

● Unlike the US authorities, the Commission is not obliged to apply anti-dumping measures at rates which reflect the full margins of dumping established. On the contrary, under Community law the rate is restricted to that necessary to remove the injury caused. In practice, this means that in the majority of cases the duties applied are lower than the margins of dumping found. For example, for photocopiers the highest dumping margin was 60.1 per cent and the duty was only 20 per cent.



● Price undertakings are frequently accepted as an alternative to the imposition of anti-dumping duties. Thus, in the last two years, of the 45 investigations resulting in the application of anti-dumping measures, 33 were concluded by the acceptance of undertakings whereas only 12 resulted in the imposition of duties.

It will be apparent from the above that the Community's anti-dumping policy in no way resembles the protectionist caricature which is sometimes portrayed. There is no question of the Community using its anti-dumping procedures as a substitute for its industrial policy or to strengthen its hand in bilateral negotiations.

It is probably in connection with the method of calculating the margins of dumping that recent press articles have most repeated in parrot fashion the arguments of the dumpers. These arguments have been so decisively rejected by the European Court of Justice that the challenge to the Commission's methodology in this area has, in the Financial Times' own words, now collapsed.

Also, those criticising the Commission's methods of calculation should compare the dumping margins recently established by the US authorities for ball bearings originating in Japan with the duties applied by the Community on the same products: 26-107 per cent by the US compared with 1-22 per cent by the Community.

Allegations have also been made about the elasticity and obscurity of the Community's anti-dumping procedures, though these are seen within the Gatt as being among the most transparent. This means that during an investigation, the interested parties are given the opportunity to defend their interests to the full, through their right to inspect non-confidential files, to request hearings or confrontations and to request disclosure conferences during which the Commission explains all details of the dumping calculations, including the facts and the method applied. Finally the decisions imposing anti-dumping measures, or closing the investigations, set out in detail the facts and legal considerations on which the findings are based.

Another feature of the Community's legislation is its provisions relating to so-called screwdriver operations. These were necessary in view of the evidence that the duties imposed on imports of certain products were being circumvented.

In discussions prior to their enactment, the authorities of certain exporting countries took the view that the provisions envisaged were too stringent. Community producers, on the other hand, claimed that they were too lax. The Community's main concern, however, was to guard against the flagrant circumvention of anti-dumping duties while ensuring that the provisions did not deter genuine inward investment. This aim seems to have been achieved. Direct investment from Japan into Europe increased by about 90 per cent in the year following the introduction of the provisions. Furthermore, in the investigations carried out, it was found that the assemblers have been able to switch the source of their components with comparative ease and once this happened the Community readily accepted undertakings from the assemblers and removed the *duty* on the assembled product. Although the Japanese authorities have raised this question within the Gatt, the Community is confident that it will be able to justify its action in this forum.

In any event, the Community is not the only Gatt party to include provisions on circumvention in its legislation, similar provisions being included in the United States 1988 Trade Act. But unlike Community provisions, those of the US may be applied to assembly in third countries as well as in the importing country. Moreover, a wide margin of discretion is left to the administrators and there is no provision for the acceptance of undertakings as an alternative to the imposition of duties on the assembled product.

Finally, it has been reported that between 1980 and 1985 the average *ad valorem* rate of the definitive anti-dumping duties imposed by the Community was as high as 23 per cent. Taken on its own, the statement managed to convey the impression that anti-dumping actions result in a high degree of protection. To give a more balanced picture, it is worth pointing out that almost as many complaints were rejected in the period as those which led to the opening of an investigation. Moreover, definitive duties were only imposed in a fifth of the investigations concluded, and more investigations were terminated without measures being applied than those resulting in definitive duties. In addition, well over twice as many investigations were concluded by the acceptance of price undertakings than by the imposition of duties.

The author is European Commissioner for External Relations

LOMBARD

Time to put the squeeze on pay

By Samuel Brittan

After many years on an excessively high plateau, UK pay increases have been drifting upwards and are now around 9 to 9½ per cent – something not seen in the previous inflationary alarm in 1985. The escalation cannot be explained away by overtime, which has remained stable over the last year.

But should we worry? Some industrialists tell us that pay rises offset by productivity improvements are of no concern. The claim is only remotely plausible in manufacturing. Even here the ultra-rapid productivity rises during an unsustainable boom cannot be expected to persist, however optimistic one is about supply side improvements.

Moreover, how industry responds when productivity decelerates is a matter of public concern. If it reacts by shedding more workers rather than by clamping down on pay, the service sector may no longer be able to absorb the outflow and the present highly welcome fall in unemployment could come to a halt or even reverse itself.

But be that as it may, do excessive pay increases matter for inflation, as distinct from jobs and general economic flexibility? They do. Whatever happens in manufacturing there is not the slightest chance of 9 per cent plus earnings increases being offset by productivity in the economy as a whole, where the underlying productivity increase can hardly be more than 4 per cent per annum, even if one adds to the official estimates.

On a monetary view of inflation, pay rises are indeed a symptom, or at most a link in the transmission mechanism. But when direct measures of monetary growth or domestic spending in nominal terms are way above official objectives the labour market symptoms need to be taken extremely seriously. The apparent one-month improvement in the monetary indicators in October does no more than reverse earlier unfavourable blips.

In practice, excessive pay rises are being driven from the profit side in the private sector and by emulation or labour scarcity in the public. The restoration of profitability in British industry after nearly two decades of depressed or negative real rates of return is one of the brighter sides of the Thatcher experience. But one can have too much of a good thing. The momentum of pay increases will not be broken until profits come under greater pressure than business is expecting at present. Such extra pressure on profits in turn requires an upward realignment of sterling of a good 5 per cent – either spontaneously in the market place or under the impulse of further base rate increases.

There are two Whitehall arguments against such a course. The first is fear of anti-inflationary overkill. Here the economic forecasters are simply joining the stock markets which have a good record in forecasting eight of the last five recessions. The second argument is fear of the knock-on effects of higher mortgage rates on the retail prices index – and in turn of the knock-on effect of the latter on pay deals. Too much attention is being paid by the old industrial establishment to the unfortunate threshold effects of supposedly key pay deals, above all Ford.

In general, talk of knock-on effects is used by lazy industrialists to justify pay increases they would in any case be offering. Greater difficulty in affording higher pay is far more important than trying to massage the RPI by avoiding otherwise necessary increases in interest rates.

Knock-on and pay round effects are now probably much less important than the talking classes imagine. This much at least must be credited to the Thatcher revolution. Outside the declining minority of establishments still dominated by old-fashioned pay deals, most working people and their managers are well aware that pay depends on what employers can afford and not on the statistical aberrations of particular indices. It is about time that economic policy making caught up with a new mood. Even personal reputations will depend much more on the general sense that inflation has been decisively reversed than the exact size or timing of next year's RPI peak.

LETTERS

Accountants in academe

From Mr W.H.J. Mordy.

Sir, David Thomas reported on the problem of encouraging qualified accountants to enter the academic world (November 14). He correctly identified the differential between academic and professional salaries as the main hurdle to be overcome.

Several other points are worth making in this context.

As Mr Thomas remarks, the accountancy profession is examining ways of extending additional help to its academic colleagues. The profession is already providing about £800,000 a year to academic departments, plus a substantial but unquantifiable amount of free part-time teaching and tutorial help.

The size of the staff recruitment and retention problem formed by accounting departments in universities and polytechnics, however, is now so large that it is unrealistic to expect it to be solved by private donations alone.

The problems of the accounting departments are only one part of a wider picture.

In a number of other disciplines (for example, law, electronics, computing, business education and some aspects of engineering), departments face similar difficulties in attracting people of the right quality. Again, the private sector can only play a limited role in helping to tackle these difficulties.

The main response to the salary problems in all these market-related subjects must come from the Department of Education and Science and its new funding institutions for higher education. Only thus will the Government be able to implement its policy that student and employer demand should be an important determinant in the level of teaching provision for particular subjects.

W.H.J. Mordy,
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The Institute of Chartered Accountants,
Chartered Accountants' Hall,
Moorgate Place, EC2

Steadily adding more solicitors to the Roll

From Mr R.C. Harvey.

Sir, Mr Ben Williams claims in a recent letter (October 31) that the Law Society has failed to plan effectively for the longer term training needs of young law students. He seems to be unaware of the facts.

First, to cope with the current shortage of solicitors, The College of Law, which provides the majority of places for the training of solicitors, is increasing the number of places dramatically. A new branch is opening in York in 1989 which will provide 600 more places. Taking these places and further places made available this year for both finals students and the non-law graduates taking the Common Professional Examination, the number is increasing by just under 80 per cent over the three years 1987 to 1989.

Second, due to government restraints on funding, those polytechnics which provide the remainder of the training have, on the whole, been unable to increase their places. However, a number of other polytechnics have recently been authorised by the Law Society to teach for the Common Professional Examination and there are applications in the pipeline for polytechnics to teach both for the final examination and the Common Professional Examination.

It is difficult to see how, in the light of these facts, which have been made public, Mr. Williams can say that the position *is* unlikely to change within the next three years. There has been on average a net increase in the number of solicitors admitted to the Roll of just under 2,000 a year over the last decade so that the practising profession has increased from about 30,000 to about 50,000 today. Given the increase in places, the number of students passing the final exam in 1990 is likely to be in the region of 2,900 compared with 2,300 in 1988 and about 2,000 in 1987.

R.C. Harvey
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B98 0TD

Exchange rate stability

From Mr W. Grey.

Sir, In his recent FT interview (November 10), the Chancellor said the climate created by greater exchange rate stability of late had done much to improve world economic performance.

Among its beneficent results he singled out faster economic growth worldwide and, in particular, a worldwide investment boom.

That flexible exchange rates, far from constituting the automatic adjustment mechanism their proponents had claimed, would complicate investment planning, and so retard investment and growth itself, was predictable.

Nevertheless it was gratifying to have the opposite officially confirmed. Perhaps, after years of benign neglect, those much-maligned architects of the Bretton Woods regime deserve a belated pat on the back.

Even so, the present situation, though "markedly better," in the Chancellor's judgment, still leaves room for further improvement. The commitment to exchange rate stability is not everywhere yet as steadfast as it might be.

That is, of course – as the Chancellor doubtless realises – one of the reasons why full (not just shadow or fair-weather) membership of the European Monetary System remains so essential.

W. Grey,
12 Arden Road,
Finchley, N3

Health and safety at work legislation should be invoked

From Mr R.N. Coult.

Sir, It is difficult to understand how your legal correspondent can write about the criminal implications of the King's Cross disaster (November 12) without once mentioning the Health and Safety at Work Act 1974. He seems to show the same lack of appreciation of this important piece of legislation as the railway inspectorate, which was properly criticised in the Fennell Report for failing to implement it during inspections.

While it is true that prosecutions for manslaughter following major accidents have always failed in English courts because of the difficulty of demonstrating a guilty intent, prosecutions of corporations and individuals, where individuals can be directly linked to the offence, should succeed under the Health and Safety at Work Act. Proceedings under the legislation in the Crown courts carry an unlimited fine; recently BP was fined £750,000 for serious contraventions at a Scottish refinery.

Nor do I think that the prosecution of corporations is contrary to legal policy, as suggested by Mr Hermann. As one of HM Inspectors of Factories for almost 30 years, I prosecuted state corporations as well as public companies under the various acts relating to health and safety at work.

In most cases, the fines that were imposed caused little hardship, but nevertheless directors never liked the publicity which accompanied such prosecutions. In this way effective pressure for improvement in health and safety standards was achieved. This pressure is much greater than any action for civil damages, which usually only comes before the courts many years after the event.

From the evidence heard by the King's Cross inquiry and recorded in the Fennell Report, there should be little difficulty in sustaining successful criminal proceedings against London Underground. Unless such proceedings are instituted by the Director of Public Prosecutions in these circumstances where the Health and Safety at Work Act clearly applied (unlike the Herald of Free Enterprise disaster, where it did not), then no employee or member of the public can feel protected against negligence of management, however gross that may be.

R.N. Coult,
Vernon House,
Grindleford,
Sheffield, South Yorkshire

FINANCIAL TIMES
Monday November 21 1988

Janet Bush
on Wall Street

Few props and fewer promises

MANY OF the distractions which kept a measure of optimism and a small injection of excitement in the equity market disappeared as soon as Mr George Bush was elected.

The most important red herring has been the boom in takeovers, leveraged buy-outs and speculation about more and more deals. That bubble has begun to subside from a number of small pinpricks.

There was the unseemly haste of Senator Robert Dole who talked on the day after the election about taking action to dampen down the LBO fad. There was the withdrawal last week from the bidding for RJR Nabisco by Forstmann Little and its cohorts and then the apparently coincidental suits *against RJR from ITT and Metropolitan Life* which began the fight back by conventional bond holders.

Now that the right man has won the White House and stocks are deriving little support from takeover speculation, there has been a return to looking at longer run macroeconomic problems and fundamental values.

Mr Alan Abelson of Barron's puts forward a fairly pessimistic view. "What really ails the market, we think, is that investors fear that in terms of business activity, corporate earnings and political congeniality, it doesn't get any better than this; rather, on every score, it's due to get worse. Put another way, what's bugging investors is the prospect that the great expansion of the past six years will run out of steam some quarter soon."

What the financial markets appear to be discounting is the next recession, a slap in the face for the "New Agers" who believe that the business cycle can be prolonged indefinitely with the right policy mix and the Bush team which is banking on growing out of the budget deficit.

The sharp falls in financial markets since the election appeared partly to anticipate, despite immense respect for Mr Alan Greenspan's Fed, that the central bank may overdo the monetary tightening which appears inevitably in store and tip the economy into recession.

It is conceivable that clever management by the Fed could allow the economy to muddle through. Mr Gregory Gieber, a macroeconomist with Smith Barney, says: "There is no reason for a business cycle to die because of old age. A cycle dies because of something exogenous like poor policy."

If the Fed performs this balancing act, how much room is there for the market to rise on fundamentals? The answer is probably that the broad market is not likely to get much of a boost from earnings but that there will be opportunities with careful stock selection.

Mr Brian Fernandez, managing director of Brean Murray, Foster Securities, whose money management arm achieved a 30.8 per cent return on its stocks portfolio in the first nine months, believes the market has some upside potential with large stocks fairly valued but some smaller stocks still undervalued.

The company's strategists are predicting a 5.6 per cent increase in the profits of S&P 500 companies in 1989 compared with 1988, slightly more optimistic than the Blue Chip Economic Indicators consensus of 4 per cent. Although this is less impressive than Brean Murray's forecast of a 29 per cent leap in profits this year compared with last, Mr Fernandez believes the market should rise both because of *earnings and technical reasons*.

Economists at Paine Webber, which currently has 47 per cent of its model portfolio in cash, 18 per cent in stocks and 35 per cent in bonds, is more cautious, but sees potential in careful value-based selection. "It is striking today how one can build a quality, value-based portfolio without relying heavily on any particular economic scenario playing out. This would seem to be a significant advantage given a conflict between the surprising strength and age of the economic recovery."

At the pessimistic end of the scale are portfolio strategists at Oppenheimer. They believe that, although in the long term a stock market selling at only six times its cash flow looks cheap, there is limited scope unless the Fed relaxes its restrictive policies.

They think that the market will start anticipating an economic slowdown in the second half of next year, implying that many of the cyclical industries may start to underperform the market, despite their profitability and their relatively low price earnings ratios.

Austria wins Hungary telecoms deal after lifting of embargo

By David Marsh in Bonn, Leslie Colitt in Berlin and Terry Dodsworth in London

AUSTRIAN companies are supplying Hungary with advanced western telecommunications equipment under the first major deal signed since the West's embargo on deliveries of digital telephone exchanges to the Soviet bloc was lifted in September.

The order, likely to pave the way for a large number of deliveries of such equipment to the Eastern bloc, has been awarded to the Austrian Telecommunications Company, a joint subsidiary of the Austrian electronics concerns Kapsch and Schrack. It is valued at between Sch1bn and Sch2bn ($81m and $162m).

Under the deal, financed by an Austrian banking consortium, and involving some counter-trade transactions, the two companies are to deliver large digital exchanges based on the DMS 100/200 model made by Northern Telecom of Canada. The equipment is due to be supplied to Budapest and seven other Hungarian cities, equivalent to a total of 100,000 Hungarian telephone lines.

The Northern Telecom product, already manufactured under licence in Austria for the country's telecommunications authority, is one of the most successful designs among the modern generation of advanced digital switches. It is widely sold in the US, and has also been supplied to the UK.

Northern was unable to comment on the deal yesterday, but trade experts said it was unlikely it would have been struck without notification to the Canadian authorities.

Despite the relaxation of the rules on the sale of digital switches to eastern Europe, certain aspects of the technology, which involves extensive use of advanced semiconductors and software, are still banned for exports from the West. Clearance can be given for most items by national governments, but some of the more sophisticated products still have to be vetted by the Paris-based Co-ordinating Committee on Multilateral Export Controls (CoCom), the Paris-based body which vets transfers of western technology to communist countries.

The breakthrough for the Northern Telecom switch in Hungary follows a smaller digital exchanges order, worth SKr47m ($7.7m), awarded by Hungary in September to L.M. Ericsson of Sweden for an international exchange. Clearance has also been given by the UK for the export of the System X switch made by GPT, a subsidiary of GEC and Plessey, which is negotiating for a contract in Bulgaria.

With all the main western telecommunications concerns jostling for East bloc digital deals, the Austrian companies hope to use the deal – won in competition with West Germany – to establish a foothold on east European markets.

Kapsch and Schrack have agreed to furnish Hungary with know-how to assemble the systems for its own use and for export. This aspect still has to be approved by CoCom.

CoCom, grouping all 16 Nato countries apart from Iceland, plus Japan, agreed to lift, from September, a four-year-old embargo on sales of digital switches to the Eastern bloc. Such sales to China were liberalised several years ago.

Savimbi says Unita will fight on

By Anthony Robinson in Jamba

DR JONAS SAVIMBI, leader of the Unita rebel forces and the main excluded party from the four-nation Angolan peace talks, intends to fight on against Angolan government FAPLA forces until all Cuban troops *have left and Luanda* agrees to form a government of national reconciliation.

Speaking at a press conference in his southern Angolan bush headquarters, Dr Savimbi welcomed the draft agreement on Cuban troop withdrawals reached at last week's Geneva talks between Angola, Cuba and South Africa and rejected secret initiatives aimed at persuading him to step down as Unita leader.

He also revealed that Unita and Cuban representatives had discussed an informal ceasefire deal last month in the Ivory Coast when Unita handed over two captured Cuban pilots.

Unita, he said, would not harass departing Cuban forces as the Mujahideen were attacking withdrawing Soviet forces in Afghanistan because "the best victory is one which lets the enemy go".

While welcoming an eventual four-power agreement to settle the international dimension *of the 13-year-old Angolan* conflict, Dr Savimbi underlined that this would not end the civil war between the MPLA government in Luanda and Unita which lay at the heart of the problem.

Over the four weeks to November 15, Unita claimed to have killed 531 FAPLA and 12 Cuban troops for the loss of 48 Unita soldiers. Dr Savimbi predicted an end to the civil war within a year of the departure of Cuban troops, as the MPLA and its "demoralised army" would be forced to negotiate an

Dr Jonas Savimbi, right, leader of Unita, has vowed to fight on against Angolan Government forces until all Cuban troops have been withdrawn from the country and Luanda agrees to form a government of national reconciliation. Unita was the main party excluded from last week's peace talks between South Africa, Angola and Cuba. Dr Savimbi welcomed the talks' draft agreement on Cuban troop withdrawals but rejected secret initiatives aimed at persuading him to step down as Unita leader. He also said Unita and Cuban representatives had discussed an informal ceasefire last month.

internal settlement after the Cuban departure.

But before then, he predicted, FAPLA would try another offensive and was already building up forces around Cuito Cuanavale for another attack on Unita's advance base at Mavinga, 200km north of Jamba.

Unita forces, backed by South African long-range artillery and air strikes, have already defeated two big offensives *against Mavinga in 1985* and 1987 and Dr Savimbi warned that Unita had stockpiled enough equipment to continue fighting.

Unita, he added, would defend Jamba "house by house if necessary". Among Unita's weapons are US-supplied Stinger ground-to-air missiles and wire-directed Tow anti-tank missiles, which have given its forces protection against Angolan air superiority and Soviet-supplied armour.

Outlining his plans for an eventual internal political solution, Dr Savimbi suggested that the first stage of reconciliation should be a provisional government to supervise general elections within two years.

Elections would be to a constituent assembly. This in turn should draft a constitution allowing for a multi-party democracy and rights of opposition parties.

In the absence of elections, he added, Unita continued to deny the legitimacy of what he *called the "corrupt, inefficient* MPLA Government" and refused to accept the one-party system.

Asked if he would consider stepping aside if that would facilitate national reconciliation between Unita and the MPLA, Dr Savimbi launched a personal attack on President Denis Sassou-Nguesso of the Congo and President Omar Bongo of Gabon. He accused the latter of sending a letter to "my personal friend" King Hassan of Morocco *asking the* King to provide him with a villa in the north African state.

"I do not need a villa by the sea and I am not demanding the job of President Dos Santos. I am just asking for elections. If he wins he can remain president. But I think Unita will win. We have support all over the country – even in the north," he added.

Meanwhile the time was now coming for African states to take over the role of mediator from the US and seek to arrange reconciliation talks in an African capital, he suggested. The Congo and Gabon had disqualified themselves from playing such a role or providing a venue for talks, he said, but he named Kenya, Ivory Coast and Nigeria as possible mediators.

The Unita leader suggested that it might be easier for African countries to assume a more active mediatory role once South Africa started the process of granting independence for Namibia under UN Resolution 435.

This provides for the positioning of a 7,500-strong UN task force in Namibia and implies a cut-off in supplies from South Africa and hence a less direct supporting role by Pretoria for Unita.

Dr Savimbi added that he would fly to South Africa for talks with President P W Botha on November 23, at which he would ask for a clear statement of Pretoria's future policy towards Unita.

He welcomed the victory of President-elect George Bush who, he said, had sent a message of support to Unita, and disclosed that he would soon be seeing Mr Chester Crocker, the US mediator, at the Geneva talks. He also plans to visit the UK before the end of the year.

Burger King plan opposed by franchisees

Continued from Page 1

forced to cut back on franchisee services. These include new product development, new equipment and training, Mr Pothitos explains, "even now they don't provide enough service."

Some 86 per cent of Pillsbury's 6,000 stores worldwide are owned by franchisees, who have a total investment in the company of some $2bn. Many franchisees have grown increasingly dissatisfied with Pillsbury's management in recent years and a group had been considering a leveraged buy-out plan for the fast food chain. But this has now fallen through, Mr Pothitos pointed out.

Pillsbury management had scheduled a meeting for yesterday afternoon to consider the franchisees' letter.

Nikki Tait adds: Grand Metropolitan said yesterday that it was *pleased but not surprised* that Burger King franchisees opposed Pillsbury's spinoff and restructuring plan.

The Grand Met offer expired on Friday but is likely to be extended.

Irving Trust move hits Third World loan market

By Norma Cohen in London

THE MARKET in which loans to Third World countries are traded among banks was thrown into disarray last week after Irving Trust Co, the US bank, circulated a list totalling about $500m of loans, mostly to Latin American countries, which it wished to sell.

Bankers specialising in sales of Third World debt said that prices of loans to Brazil and Mexico fell by as much as 20 per cent as a result of Irving's sales effort. At mid-week the market was so volatile that some normally active banks were reluctant to quote prices.

By the end of the week prices were said to have recovered a little after Irving withdrew much of the list. However, the bank is believed to remain anxious to sell the loans in the hopes of capturing tax advantages before completion of its acquisition by Bank of New York, set for late November.

Irving declined to comment, saying it could not discuss any continuing sales programme. However, the bank acknowledged that it had been actively selling its loan portfolio, disposing of about $190m since September.

Before Irving circulated its list, Brazilian loans were quoted at 47-48 cents for each dollar face value. The price dropped as low as 38 cents. After Irving withdrew the list, prices recovered by 2 or 3 cents.

The sharp drop in prices came just as the market began to recover from particularly heavy selling by Canadian banks in late October. Several Toronto Dominion and Canadian Imperial Bank of Commerce, were said to be selling loans ahead of the end of their fiscal year on October 31.

The quick reaction in the price of Third World loans to Irving's attempted sales, and the subsequent recovery, highlighted the extent to which trading in the assets has grown. While no data exist, estimates of turnover in 1988 run from $15bn to $25bn, although the figure may be boosted by double counting.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	13	55	Dubrovnik	S	10	50	Malta	S	19	66	Rhodes	F	18	64
Algiers	S	20	68	Edinburgh	S	02	36	Manchester	S	03	37	Rio de J'o	C	18	64
Amsterdam	F	05	41	Faro	R	18	64	Manila	F	31	88	Rome	F	13	55
Athens	C	13	55	Florence	R	08	46	Melbourne	F	25	77	Salzburg	S	03	37
Bahrain	S	27	81	Frankfurt	R	07	45	Mexico City	S	25	77	San Francisco	C	18	64
Bangkok	F	30	86	Funchal	D	C2	36	Miami	C	27	80	Seoul	F	12	54
Barcelona	S	13	55	Geneva	C	08	46	Milan	C	07	45	Singapore	C	28	82
Beirut	R	15	59	Gibraltar	S	20	68	Montreal	C	02	36	Stockholm	S	-6	22
Belfast	S	04	39	Glasgow	S	02	36	Moscow	Sn	00	32	Strasbourg	F	05	41
Belgrade	F	03	37	Guernsey	F	09	48	Munich	F	03	37	Sydney	C	23	73
Berlin	Sn	-1	30	Helsinki	F	-5	23	Nairobi	C	23	73	Taipei	F	23	73
Biarritz	R	14	57	H. Kong	S	22	72	Naples	S	16	61	Tangier	S	20	68
Bombay	S	32	90	Innsbruck	F	03	37	Nassau	C	29	84	Tel Aviv	F	16	61
Bordeaux	C	08	46	Inverness	F	02	36	New Delhi	S	24	75	Tenerife	S	24	75
Brussels	Sn	00	32	Islamabad	F	25	77	New York	R	08	46	Tokyo	R	07	45
Budapest	S	03	37	Istanbul	F	14	57	Nice	S	16	61	Toronto	Fg	05	41
B. Aires	F	28	82	Jakarta	F	32	90	Nicosia	C	15	59	Tunis	C	21	70
Cairo	S	21	70	Jersey	R	09	48	Oporto	S	14	57	Valencia	S	17	63
Cape Town	S	25	77	Jo'burg	S	24	75	Oslo	S	-1	30	Venice	R	03	43
Caracas	C	26	79	Lima	F	23	73	Paris	R	09	48	Vienna	F	05	41
Casablanca	S	23	73	Lisbon	F	14	57	Peking	S	12	54	Warsaw	C	00	32
Chicago	F	08	46	London	C	04	39	Prague	F	02	36	Washington	Dr	07	45
Cologne	Sl	01	34	Los Angeles	F	19	66	Reykjavik	Sl	02	36	Zurich	C	03	37
Copenhagen	S	01	34	Luxembourg	Sn	01	34								
Corfu	R	13	55	Madrid	F	16	61								
Dallas	C	08	46	Majorca	S	21	70								
Dublin	F	05	41	Malaga	S	21	70								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Egypt backs Palestinian state

Continued from Page 1

According to Israel radio, 37 countries have now recognised the Palestinian "state", which has no borders, controls no territory and as yet has no government. On Friday, the Soviet Union, a strong supporter of the PLO, said it recognised the proclamation of a state, as distinct from full recognition of the state itself.

However, no Western country has yet made a similar move. The US argues that the independence declaration prejudges the future of the Israeli-occupied West Bank and Gaza, which should be settled by negotiation. Britain describes the declaration as "premature", and it and France say they cannot recognise a state without a defined territory.

The setbacks for Israeli diplomacy come at a time of intense controversy over the formation of a new Government after Israel's November 1 election. Labour and Likud appear to be edging towards a new government of national unity headed by Mr Shamir, after reaching agreement over the weekend on the broad principles guiding such a coalition.

Intense pressure for the two main parties to get together again, dumping smaller, ultra-Orthodox factions, has come both from vocal groups within Israel and from representatives of the 5.5m-strong Jewish community in the US.

But a growing revolt of Labour backbenchers, led by Mr Uzi Bar-Am, the party's Secretary-General, could still torpedo the plans, being sketched out in private by small negotiating teams.

The new Knesset, or parliament, meets today for the first time, amid indications that many secular members are unhappy with the scale of proposed concessions to the religious fundamentalist parties.

Canada poll

Continued from Page 1

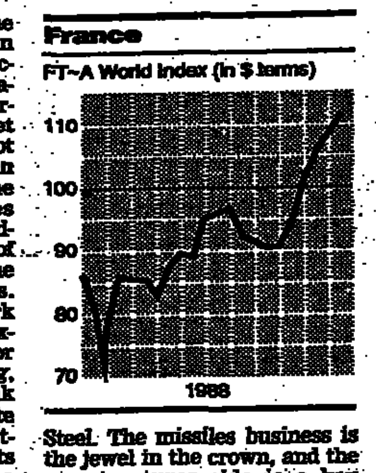
discounted. As many as 30 per cent of respondents told Angus Reid that they might change their mind regarding voting intentions before polling day.

A confident Mr Mulroney spent the dying hours of the campaign in his native Quebec. The predominantly French-speaking province played a crucial part in the Conservatives' 1984 landslide but has seemed surprisingly irresolute in its support since Mr Turner's stronger than expected performance in the televised leaders' debates.

THE LEX COLUMN

Australia's meaning of tight money

Despite the nervousness in the world's financial markets in the aftermath of the US election and ahead of today's Canadian elections, the worst performing major stock market over the last fortnight has not been New York or even Toronto – but Australia. The Australian All Ordinaries index has fallen for seven trading days in a row – a drop of close to 5 per cent – and the culprit is interest rates. Whereas, London, New York and Toronto are searching anxiously for signs of any need for further monetary tightening, the Australian Reserve Bank has raised its rediscount rate three times in the last fortnight and ANZ increased its prime lending rate by half a point to 16.5 per cent on Friday.



In many respects Australia is similar to the UK. It is running a big budget surplus, its economy is booming and its October trade figures underlined its chronic balance of payments problem. But unlike the UK its inflation rate is declining and will soon be less than that of the UK – if it is not already – and its monetary policy is even tighter. The Australian dollar is at its highest level in three years and seems set to rise further, which may be good news for Australian bonds but can only be bearish for equities.

Short Brothers

There is a bizarre contrast between next Wednesday's £2.5bn-plus privatisation of British Steel and Short Brothers, the Belfast aircraft maker whose sale was unceremoniously advertised in the small ads last week. British Steel has been transformed from an inefficient, loss-making business into the most profitable steel company in Europe. Short Brothers, by contrast, is a high-tech company which has been starved of investment, has a negative net worth of £100m, annual sales of around £250m, and has done no more than break even on a pre-interest basis for the last five years. It is hardly the sort of record which will attract the big spenders, so why the hurry to get rid of it?

The Government is prepared to spend years nurturing a mature business like British Steel back to health, yet is rushing to sell Shorts even before *an up-to-date balance* sheet is available. Shorts consists of three businesses, at least two of which have considerably greater growth and profit potential than British Steel. The missiles business is the jewel in the crown, and the aerostructures side is a key supplier for companies like Boeing. Granted, there is also the aircraft manufacturing business, the weakest part by the company's own admission. The current product range is almost at the end of its useful life, and if Shorts is to continue as an aircraft maker it needs £500m plus to build the next generation of commuter jets.

The Government's keenness to get rid of Shorts before it has to stump up for this latest project probably reflects its own dismal record at backing dud business ideas in the Province. Despite its denials, the most obvious solution would be to break the company up. Given more time, it should have been able to prove that Shorts, *like British Steel*, is an opportunity rather than a disaster.

French takeovers

More than anything else, French and foreign investors can thank a succession of takeover attempts for ensuring the French stock market its premier place among European bourses this year. The market's total return in local currency terms has been nearly 48 per cent *since the beginning of* 1988, second only to Mexico among the world's markets and the best in Europe. A major attraction has been that Paris is one of the few major Continental markets where corporate activity has built up enough momentum to give a little spice to life.

There are signs now, however, that parts of the establishment and some government figures believe it is time the market settled down to a *slightly quieter rhythm*. Twice in the past three weeks, the heavy artillery of the establishment has been brought out to frighten off a predator: first when a party of white knight industrialists and financiers stepped in to rescue the carseat maker Epeda-Bertrand Faure from the hostile attentions of a variety of others; and, under very different circumstances, when a group of blue-chip heavies weighed in on the Société Générale share register last week against the troublesome Mr Georges Pebereau. The shadowy presence of the politicians complicates the issue in the latter case: but it seems there is some dispute in government circles over whether the State was right to encourage Mr Pebereau, however tacitly, in his destabilising efforts. And whoever was truly responsible, that situation seems to have lost most of its pizazz for the moment.

The establishment's reflexes may well favour solidarity even more in future. The government, too, may tread carefully with the privatised companies for a while to avoid attracting foreign raiders. But price could also begin to make takeovers less appealing: with equity yields in the region of 3 per cent and government bond yields more like 9 per cent, the market is not exactly dirt cheap despite relatively low French p/e ratios. And if more companies do as BSN did recently – buy a small bank to ensure that any raid on them would have to go to the banking regulators – deterrence could become almost a habit.

Virgin

Today's vote by Virgin shareholders on Mr Branson's proposal to retire from public life will be closely watched by those interested in following his example. The outcome is not quite guaranteed. Mr Branson and his colleagues control 63 per cent of the equity, but will not vote it; the scheme of arrangement requires either a simple majority of the remainder, or 75 per cent of votes cast. But with the shares closing on Friday at only 4p short of the 140p offer price, the market is not counting on an upset. And indeed, since the offer is plainly above the underlying market value, there seems little reason to refuse it.

Whether Virgin should form a precedent is another matter. The company, like its founder, has a one-off character, and its lack of success with the stock market is largely due to mutual misunderstanding. *Other companies – especially* those which might propose to go private for a couple of years of unwonted effort, and then return – should be encouraged to stay and face the music.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday November 21 1988

INSIDE

Virgin poised to quit the stock market

Shareholders in Virgin, the British leisure group headed by Mr Richard Branson, are expected today to approve a management buy-out – about two years after the group came to the stock market. It will be the biggest buy-out of a quoted British company. But, with Virgin's profits expected to rise healthily in the 1990s, the move also raises questions about shareholders' investment horizons. Page 30

A surprising Eurobond success

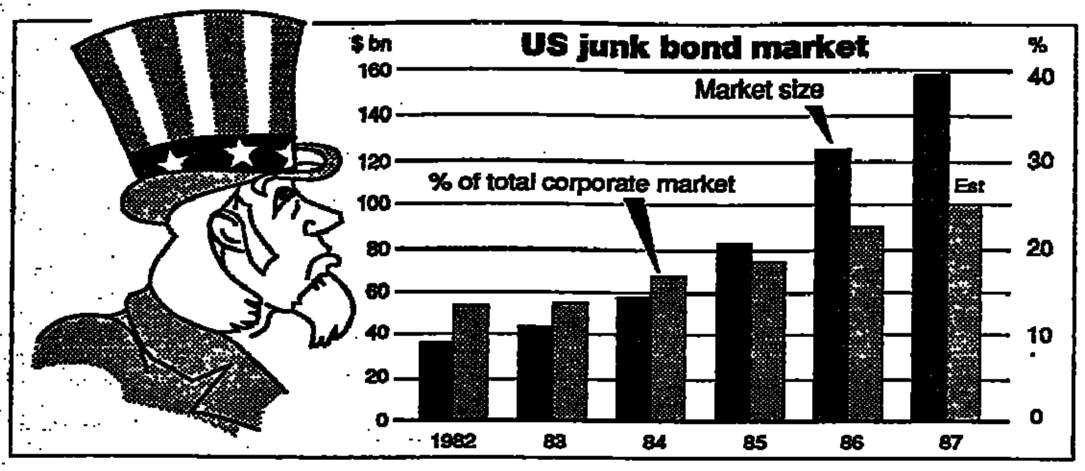
The past week hardly seemed the ideal time to launch dollar straight Eurobonds, with the US currency under pressure, market jitters over publication of the latest American trade figures and the threat of rising interest rates. But despite this, a couple of deals proved an undoubted success. Dominique Jackson looks at the state of the market. Page 24

Management of the business through thick and thin

To describe a manager as "thick" is a compliment, rather than a term of abuse, in the lexicon of Mr Henry Mintzberg, a Canadian professor of management. He defines thick as thorough, while "thin" means facile. And thin management, he complains, gets too much promotion. Christopher Lorenz examines his ideas in the Business Column. Page 46

Conundrum for the gilts market

The London gilts market had a generally lacklustre tone for most of last week yet closed on a strong note, taking heart from the UK's provisional money supply data for October. The main focus of interest, however, remains the Bank of England's buying in activities and the implications of this for the market. Page 25



Wall Street dreams up a bondholder's nightmare

James Buchan explains why big investors have doubts about highly-leveraged buy-outs like RJR Nabisco's

Metropolitan Life is a large, unimaginably large, agglomeration of capital. In the arcades of its stone headquarters, towering over New York's Madison Square, men in identical suits and ties are repeated endlessly, as in a series of mirrors.

In every town in the US, there are MetLife salesmen pushing life, health or motor insurance, arranging pension plans or selling houses. They send back $40bn every year to the harried fund managers in New York.

MetLife is not a company that files nuisance lawsuits.

But last week, it sued RJR Nabisco. It accused the tobacco company's managers of betraying their lenders by trying to buy the company with billions of dollars of extra debt.

MetLife said it was suing not just to recover the $40m it lost when its RJR bonds slumped in creditworthiness at the prospect of the new borrowings. It was also suing, said Mr John Creedon, chief executive, "to preserve our great capitalist system" from Wall Street speculation and management greed.

MetLife was the second angry RJR bondholder to go to court, following a suit launched by the ITT industrial and financial services company on Wednesday.

The suits are most unlikely to halt the $20bn sale of RJR. But they are signs that big institutional investors have deep misgivings about the vast and highly-leveraged deals Wall Street is dreaming up.

For five years, US corporate bond investors have suffered, mostly in silence. To push up returns for existing shareholders or finance takeovers by raiders or executives, US corporations are going ever deeper into debt, allowing their credit ratings to tumble and handing huge losses to their existing bondholders.

Mr Morey McDaniel, an expert of bondholders' law who works at Union Carbide, calls this process "a massive transfer of wealth from bondholders to stockholders, possibly the largest expropriation of investors in American business history."

Insurers such as MetLife and ITT's The Hartford subsidiary have been hardest hit by the fall in credit quality. Bonds, both public and corporate, are ideal investments for insurance companies because their predictable income can be matched against fixed future liabilities on insurance products.

MetLife has around four times more invested in bonds than in stocks and no less than $50bn invested in blue-chip or "investment-grade" corporate bonds.

To protect these bonds from downgrading, holders have little defence but the covenants or indentures written into bond contracts. Bondholders, as lenders, have none of the fiduciary rights enjoyed by stockholders as owners. As recently as last month, the courts in the key business state of Delaware explicitly rejected arguments that bondholders are a fiduciary responsibility of management.

Last summer, a fretful group of leading bond investors, including MetLife and Prudential Assurance, formed the Institutional Bondholders' Rights Association to lobby for tougher indenture terms – including the redemption of bonds at par – in the case of takeover or additional leverage. They told their fund managers to weight their portfolios with issues of big companies, such as RJR, which seemed impregnable to leveraged takeover.

This did not work. On October 20, RJR's senior managers, led by Mr Ross Johnson, announced they wanted to buy the company. RJR's $5bn in bonds, including a $300m issue floated only in April, fell by over 15 per cent in price. For bondholders, it was a catastrophe equivalent to a stock-market collapse.

In its suit, ITT is claiming that RJR's managers and Shearson Lehman Hutton, their financial advisers on Wall Street, failed to warn bondholders in the prospectus for last April's issue that they were considering a leveraged buy-out. "It's a fairly traditional disclosure case," says Professor Harvey Goldschmid, a corporate law expert at Columbia University in New York. "It's a matter of establishing the facts."

MetLife is more ambitious. The insurer alleges Mr Johnson and RJR broke a contractual obligation to bondholders that goes beyond the letter of the indentures. Mr Johnson broke an "implied covenant of good faith and fair dealing" with the bondholders by "intentionally destroying the investment-grade character" of the bonds, as Mr Creedon put it.

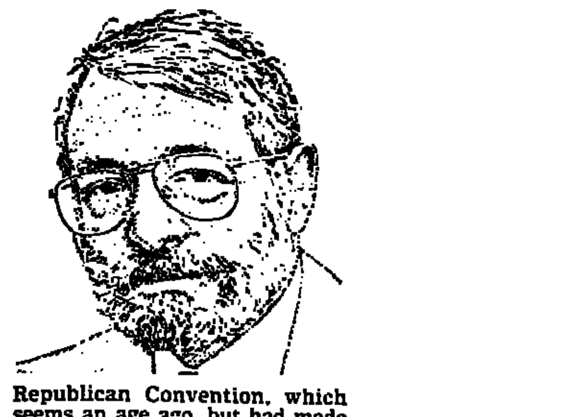
Lawyers say this is further than any state court has gone in its interpretation of bondholders' contractual rights. "What they're trying to do is open up the court's thinking on management's duties in contractual terms," says Prof. Goldschmid.

Ultimately, America's big institutional investors must decide where their interests lie. If insurers want to preserve a blue-chip corporate bond market for their investments, they must cease financing leveraged buy-outs by taking equity stakes or buying the "junk" debt issued by the bought-out companies.

Mr Creedon admitted on Thursday that MetLife had been one of the largest equity investors in a leveraged buy-out fund arranged in 1984 by Kohlberg Kravis Roberts, one of the Wall Street firms bidding for RJR. MetLife has no investment in KKR's current war chest but it still has about $1bn committed to bonds and equity in leveraged buy-outs.

"We will carefully consider leveraged buy-outs in the future," Mr Creedon said on Thursday, "though probably with a more jaundiced eye." How jaundiced has yet to be seen.

The apparent relegation of James Baker



By Anthony Harris in Washington

Political jokes have a short shelf-life. "What do I expect of the Baker presidency?.." said my neighbour at dinner. He paused and smirked. "Excuse the Freudian slip," he said, "but it doesn't make much difference, does it." He probably suspects by now that it makes all the difference in the world.

The clue is Mr Bush's decision to appoint Governor John Sununu as his chief of staff at the White House. Mr James Baker, who has been regarded until now as the big power in a Bush presidency – the Prime Minister to Mr Bush's constitutional figurehead, by some accounts – had quite a different plan for the White House. It was centred on Mr Craig Fuller, an efficient organiser and a Baker intimate, who is now to return to private life. Yet because it was the Baker plan, many commentators here regarded it as a *fait accompli*.

It now turns out not only that Mr Bush had ideas of his own, but that he took his decision some ten days ago; although he allowed Mr Baker to go on lobbying for his alternative until nearly the end of last week. Either Mr Baker had been kept in the dark, or he had over-estimated his own influence. He is not the only one.

This is the second time the Vice-President has made his own unexpected choice. The first was that of Dan Quayle as running-mate. The judgment looks questionable, but the pattern is interesting. Both Quayle and Sununu are aggressive members of the right wing of the party; Sununu led the personal attack on his fellow-Governor, Michael Dukakis, and obviously enjoyed himself no end. Both are also proved campaigners on their own account. Mr Bush admires people who win elections, and has sent his own adviser, Mr Lee Attwater, the teach the Republican Party how it is done. Mr Baker has only run for office once, and lost.

All this suggests that the assertive Mr Bush of the campaign was the real man, rather than a Clint Eastwood act put on for the cameras, and that he intends to be an assertive President, pushing his own agenda through a Democratic Congress. Conventional wisdom says that this cannot be done, but this judgment could be wrong for two reasons.

The first is summed up in the old Will Rogers joke: "I'm not a member of any organised political party. I'm a Democrat." Like the British opposition, the party is an uneasy coalition, and always liable to split after a major defeat. Then there is the kinder, gentler Bush. He claimed repeatedly during the campaign that he and his opponents really wanted the same things – better education, a cleaner environment, and the rest. They differ on how to achieve them.

Since the whole American political spectrum lies to the libertarian right of almost anything in Europe, there should be some common ground. The Democrats have already voted for one very conservative reform of the welfare system, and Mr Quayle's co-sponsor of the training scheme, which is his most respectable achievement, was the arch-liberal Senator Kennedy. What is more the two men wound up as personal friends; it was Mr Kennedy who said that Quayle-baiting was unfair.

Mr Bush offered some conservative schemes for such things as child care during the campaign, but he often seemed to be making them up as he went along. He can also choose from a large list of kinder, gentler schemes offered by such conservative think-tanks as the Heritage Foundation.

Unfortunately some of these are pretty half-baked in practical terms – like the plan for tradeable pollution permits already dissected in this column. The savings-and-loan crisis shows what can happen when academics are put in charge of real-life "reforms". Mr Bush's success will depend heavily on the quality of the men he appoints to carry out his own agenda.

He has not made the most promising start. Mr Baker may not be Prime Minister, but he will no doubt be a very good Secretary of State, though he has a hard act to follow. Mr Quayle is immature, Governor Sununu effective, but unfamiliar with Washington and with the world scene. Which brings us the only other major appointment yet confirmed, the Secretary of the Treasury.

The Hon Nicholas Brady is an intimate friend of the President-elect, and knows the financial world well, but not much else is yet known in his favour. Dillon Read, the blue-blooded merchant bank, is thought to have performed sleepily under his co-chairmanship, and in an exciting time. His report on the 1987 stock market crash was widely derided, and instantly pigeon-holed by the Administration.

He succeeded Mr Baker at the Treasury at the time of the Republican Convention, which seems an age ago, but had made no impression whatever until last week.

He chose to make his first public statement on television. He was interviewed about the weak dollar, the falling stock market and the deficit. He dismissed it all as a little nervous turbulence about a plan which was not yet published, but would certainly work. This display of complacency has created real shock.

You will have read and heard enough about the deficit elsewhere to know that it is not likely to be easily eliminated; it is a blinding headache, and could yet derail the whole Bush venture before it even leaves the starting platform.

Fortunately Speaker Wright of the House of Representatives has had an hour and a half with Mr Bush on the subject, and came out impressed. He reports that the President-elect knows that this is a serious problem, and means to attack it with determination. We will simply have to forget Mr Brady's television manner, and wait and see.

Some other serious problems may also be tackled early. There is suddenly a whole list of well-backed schemes to solve the savings and loan crisis properly by winding up the bankrupts rather than "selling" them (with guarantees against past and future risks) so that they could go on running up losses.

This is a problem almost as big as the budget deficit: the published figures show that some $15bn of depositor's income has been found from their own capital, rather than from payments by borrowers.

The published figures certainly understate the scale of this officially-backed Ponzi scheme. A true solution will involve a charge on the Budget, something Mr Baker always said he opposed. It is not clear whether he was sincere in this, or simply buying time; and it no longer seems to matter.

Finally, Mr Bush is soon to visit Mexico, where he will be confronted with a still bigger problem. Latin American debt could wreck the whole hemisphere politically; the Baker plan, intended to solve it, has not worked, but was stubbornly defended by its author. Again Mr Bush may declare his own independence. The big question for the rest of us is whether such independence will prove him to be bold, or simply headstrong.

Economics Notebook

Japan has yen for reserve role

LAST FRIDAY afternoon, European time, and the world's major industrial powers are playing the game of international monetary co-operation.

After one and a half days of central bank intervention to prop up the dollar, Mr Nicholas Brady, the US Treasury Secretary, declares on US breakfast-time television that he is not particularly worried by the currency's recent weakness.

The dollar sags. In a damage control operation, some central banks buy more dollars. Frustrated, anonymous officials resort to strong language. Mr Brady's remarks have been "unhelpful", they explain. In the *sotto voce* world of central bankers, this is the nearest they get to an expletive.

Nobody, least of all Mr Brady, appears to have asked whether the central banks really *wanted* to buy and hold the $3bn or so that they reportedly accumulated in the final two days of last week. The dollar's position as the dominant reserve currency seems unchallenged.

But away from the hectic conditions of the currency markets, people are beginning to question whether 70 per cent of the world's currency reserves should still be denominated in dollars.

Japan, in particular, has urged that the dollar's role in world trade and finance should be shared more equally with the yen and the major European currencies. In enhancing the openness and liquidity of Tokyo's financial markets, the Japanese government is effectively inviting other nations to invest some of their reserves in yen. According to one senior official from the Group of Seven countries, reserve diversification is "no longer a taboo subject" in international monetary discussions.

For most central banks, reserves fulfil a few basic functions. They act as a buffer stock which a central bank can use to fill gaps in demand for foreign exchange. They are a store of national wealth. For countries needing to borrow abroad, they can also act as collateral.

Surprisingly, in view of the upheavals of the past 20 years, the dollar's role as the dominant reserve currency has changed little. In its latest annual report, the Bundesbank calculated that 72.5 per cent of the $567bn worth of world foreign exchange reserves at the end of last year were held in dollars, followed by the D-mark with a 14 per cent share and the yen with 6.75 per cent.

In 1970, according to the Bank for International Settlements, the dollar accounted for 77.2 per cent of global foreign exchange reserves, followed by the pound sterling with a share of around 10 per cent. The D-Mark made up barely 2 per cent of world reserves while the yen did not figure in the statistics.

Between these two snapshots, a lot of things happened. In 1971, President Richard Nixon ended the right of foreign central banks to convert their dollar holdings into gold. The US continued its relative decline in economic importance vis-a-vis the rest of the world. Under President Ronald Reagan the US switched from being a net creditor to a net debtor nation.

But because no other country sought a reserve role, foreign central banks had to keep faith in the dollar. Some $411bn worth of reserves were invested in the US currency by the end of last year.

Japan's willingness to enhance the yen's international role is most unusual. Countries have generally avoided the reserve currency role because it can restrict freedom of action in domestic monetary policy.

In 1976 and 1977, Britain successfully sought international assistance to reduce the reserve role of sterling. Over the past two decades, West Germany first resisted and later did nothing to encourage the gradual emergence of the D-Mark as a reserve currency.

Japan's policy of boosting the yen is unlikely to lead to a dramatic drop in dollar reserves so long as the G7 nations keep up their efforts to maintain currency stability.

The heavy intervention required to support the dollar under the February 1987 Louvre Accord was a major factor behind the $125bn rise in the dollar component of global foreign exchange reserves in 1987.

But the Japanese initiative could be of significance in Asia, where increased use of the yen would strengthen Japanese influence, and pose some problems for the G7 countries in managing future dollar support.

Reserve diversification could be particularly attractive to countries with large idle balances of foreign exchange accumulated as a result of persistent trade surpluses. Several of Japan's newly industrialised neighbours fit this category. Acquisition of strong yen in exchange for weak dollars would be one way for them to preserve their national wealth.

The problem for the G7 nations, if their resolve to maintain currency stability persists, is that such diversification could result in dollars being sold on the foreign exchange market when they were having to buy the US currency in support operations.

Peter Norman

THIS WEEK

UK TRADE figures for October will overshadow European financial markets this week with analysts fearful that another big deficit could undermine confidence in sterling.

September's figures showed a much smaller than expected deficit, providing some encouragement for markets. However, the consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for Friday's figures to show a current account deficit of £1.1bn ($2bn).

A much larger figure could trigger fresh fears that the economy is growing too fast and that inflationary pressures are mounting.

Its size could also influence speculation about future interest rates.

Canadian financial markets will be on edge today, as one of the most significant general elections in Canada's history decides the fate of trade with the US.

Mr Brian Mulroney's ruling Progressive Conservative Party is fighting with Mr John Turner's Opposition Liberals over the US-Canada Free Trade agreement, which would reduce tariffs and clear the way for further expansion of trade between the two nations.

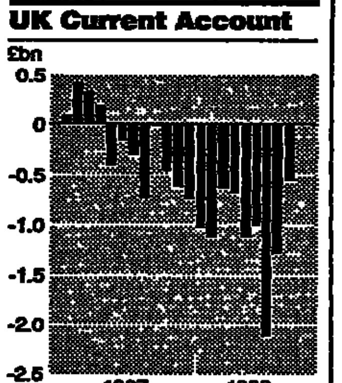
Mr Mulroney is committed to the deal, but Mr Turner and Mr Ed Broadbent, leader of the New Democrats, would repudiate it.

UK preliminary gross domestic product figures for the three months to September are published on Wednesday and are likely to show continuing strong economic growth. The consensus is for a rise of 1.2 per cent.

US inflation features on Tuesday when the consumer price index for October is published.

The index is expected to have been held in check by energy prices and the consensus is for an increase of 0.3 per cent, the same as in September.

UK Current Account



The advance report on durable goods in October, measuring orders in the pipeline, is released on Wednesday, providing an early indicator of future industrial production.

The index tends to move erratically but the consensus is for a rise of 1.5 per cent.

The Japanese consumer prices index, one of the most closely watched domestic indicators, is published on Friday.

The inflation rate is regarded as under control but some analysts anticipate a slight rise in October to about 1 per cent a year.

Other events and statistics this week (with MMS International consensus in brackets) include:

Today: Full meeting of the Organisation of Petroleum Exporting Countries (Opec) in Vienna.

Tomorrow: US Federal budget for October ($28bn deficit). Two-year Treasury bill auction. UK building society monthly figures for October. Canada, August building permits.

Wednesday: US 10-day car sales. Five-year Treasury bill auction.

Thursday: UK cyclical indicators in October. Energy Trends in September.

Friday: US October home sales. UK engineering indices of production.

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Subscribers risk possible losses to join syndications

WHILE BANKS are under pressure to demand more generous margins from lenders, it is clear that pure profitability is still a secondary consideration in deciding whether to participate in a syndication.

BZW, arranger of a £500m ($908m) multiple option facility for British Steel – whose fees barely covered banks' reserve asset costs – said that syndication for the facility had been completed and oversubscribed.

In a tersely worded release, BZW said: "As expected, bankers acknowledged the tight pricing but understood and accepted that the strength and profile of British Steel warranted such terms in today's market conditions."

Separately, BZW also said that a previously announced £250m revolving credit facility for Whitbread, the British brewery, had been oversubscribed and was being increased to £400m.

While BZW declined to reveal the terms, it described the loan as one sought with Whitbread's "relationship" banks, generally assumed to mean those who hope to do other, more profitable, business with the borrower.

The key to the deal's success may be a so-called bilateral clause under which Whitbread approaches each bank in the deal separately to negotiate borrowings.

Unlike typical lending facilities in which the borrower's sole contact is with the agent, the bilateral clause allows each bank to cement its own relationship with Whitbread.

Certainly, profitability was a secondary consideration in the case of a £180m five-year note issuance facility, initially sought by arranger Banque Paribas in late spring for an innovative mortgage lender, United Mortgage Corp.

Secondary syndication, begun in September, has just been completed, with 15 banks providing over £100m of the funding. The borrower is a corporate warehouse which holds mortgages originated by Leamington Spa Building Society but held off its balance sheet.

Ultimately, UMC intended to issue commercial paper to finance its mortgage portfolio.

On their own, the terms are quite generous. There is a margin of 40 basis points over London interbank offered rates (Libor), a commitment fee of 20 basis points and various undisclosed participation fees.

However, because of the unusual structure, banks were slow to sign up. "The initial response was disappointing," said one banker.

Leamington Spa was anxious to begin using its new affiliate immediately in order to capitalise on huge mortgage demand ahead of changes in the UK tax code. In order to help out its client, Paribas extended a £20m bridging loan, allowing UMC to take new mortgages on to its book right away.

In the meantime, Paribas found a group of four underwriters, each of which agreed to provide £45m of the NIF.

The four, BNP, Mitsubishi Trust, Fuji Bank and Paribas, have set about completing a secondary syndication of the loan to limit their exposure.

Separately, SG Warburg is arranging a £250m five-year multiple option facility for Anglo Leasing, a UK small-ticket leasing company.

There is a facility fee of 12½ basis points, a margin of 20 basis points and a utilisation fee if over 50 per cent of the funds are drawn upon.

Also in the market is a $260m aircraft financing facility for Norway's largest airline, Braathens South-American and Far East Transport. It is arranged by Manufacturers Hanover, which is a co-underwriter along with Long Term Credit Bank of Japan.

The facility includes a revolving credit option for up to $75m during the availability period for pre-delivery financing. An availability fee is payable on the revolving credit of 12½ basis points regardless of usage and drawings carry a margin of 42½ basis points.

Norma Cohen

INTERNATIONAL BONDS

Ecu-dominated issues triumph against all the odds

WITH the US currency under pressure and the prospect of higher interest rates still on the horizon, syndicate managers agreed that the choppy waters of US trade figure week were not ideal for launching dollar straight Eurobonds.

"Only two, maybe three, houses could afford to bring a new dollar straight in this environment," commented one senior syndicate official and, in the event, only a handful of issues emerged in the sector.

Credit quality continues to be the market buzzword and many houses were busying themselves last week trying to think up more ways of reassuring investors who have been more credit-conscious than ever since the latest round of highly leveraged takeover attempts in the US stripped the corporate bond market of much of its attraction.

Given this background, the undoubted success of a couple of last week's deals would seem to defy all logic, proving perhaps that investors' emotional motivation can sometimes outweigh more pragmatic reasons for choosing one bond above another.

The non US-dollar portion of the market was busiest last week with a surprising Ecu 475m issued in the composite currency, taking the total in the last fortnight to over Ecu 1bn. This is a rather hefty amount for a sector that remains largely dependent on retail investors and where a swap-related rush of new paper such as this still tends to lead to severe congestion.

The high level of new issue volume has meant that the sector is already fairly full of top-rated credits, including the European Community, Creditanstalt and Italian state railways Ferrovie dello Stato, which carries the guarantee of the republic of Italy.

This did not appear the most promising scenario against which to launch a huge Ecu 250m three-year deal for a unit of Swiss food concern Nestlé, the largest bond for a corporate borrower seen in the sector.

The issue was the first of the Swiss group's moves last week to prompt widespread market speculation that it was once again planning a bid for another company in the UK foods sector, following its £2.55bn ($4.63bn) victory over Rowntree earlier this year.

Nestlé also announced it would allow registered shares, which carry voting rights, to be held by foreigners who had previously been entitled to buy only non-voting bearer shares.

The issuing company of last week's Ecu bond, Nestlé Holdings Inc, does not have an official credit rating and the deal does not carry a formal guarantee from the parent company, which is triple-A rated.

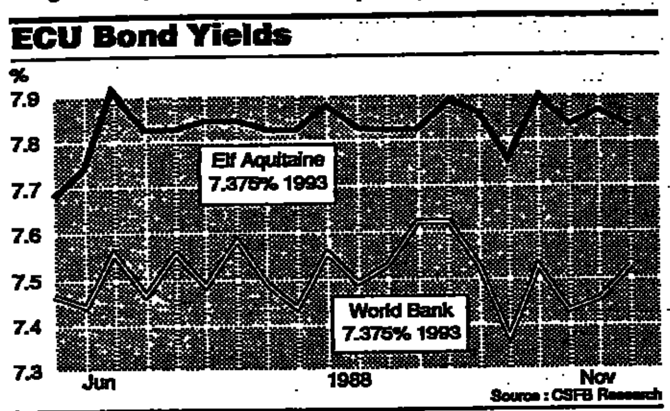
Nevertheless, the name behind the issue proved such a pull to the Swiss-based and French investors that lead manager Bankers Trust International was able to bring the deal to the market at a yield level of 7.37 per cent, several basis points narrower than that on the three-year tranche of the jumbo EC issue led by Credit Suisse First Boston last week.

Significantly, this yield margin continued to narrow during the first few days after launch as demand for the issue remained strong. Dealers said late last week that it was still too early to assess the impact on the issue's performance of the parent company's moves to equalise its bearer and registered stock and the concomitant bid speculation.

Both the borrower and lead manager highlighted the investor put option at par, which was exercisable if the parent company ceased to control at least 51 per cent of the issuing company, which is a holding company for the Swiss chocolate manufacturer's US interests.

Although not a novel feature, the put appeared to appeal to several investors as adequate protection against the kind of risk that has dogged other US corporates lately.

ECU Bond Yields



Source: CSFB Research

Perceptions of credit were also cited by sector specialists to describe the reception of another Ecu-denominated issue last week.

Although Banque Paribas Capital Markets, a house recognised for its Ecu placement capabilities, was the lead manager on a five-year deal for the Halifax Building Society, the issue's reception was far cooler than that accorded Nestlé and it was languishing well outside the level of its total fees by the end of the week.

However, before the week was out, the same borrower had tapped the Euroyen market via IBJ International with an issue that won plaudits all round.

The acute shortage of supply in Euroyen, due to the unfavourable swap rates that have affected the sector all year, has ensured success for all recent deals in the currency. The World Bank and Norwegian Investment Bank have been among the borrowers to take advantage of this appetite.

It is apparently still high, judging from the reception for the Halifax deal which, although fairly priced and marginally more attractive than the building society's outstanding 5 per cent five-year Euroyen issue, does not carry as high a credit rating as the two aforementioned borrowers.

Its AA-/AA1 credit rating was clearly of significance to the larger and more professional investors who came into the yen deal. Yet it was patently not so persuasive for the Continental retail accounts at which most Ecu-denominated paper is aimed and which have already had the opportunity to pick up an attractively rated quasi-sovereign five-year Ecu issue in last week's Ferrovie dello Stato deal.

The building societies, particularly the larger ones, have been at pains to raise European investor consciousness of late, but it would appear that they still have some way to go.

As one syndicate manager explained, the legions of "Belgian dentists" are still under the impression that building societies are a form of second-rate competition for their own regional savings banks and landesbanken, all of whom continue to issue reams of debt which is bound to be of greater appeal.

However, the Halifax expressed its approval of both deals which form part of its strategy to diversify the currencies in which it borrows.

An official in the building society's treasury department accepted that the Ecu bonds would probably take some time to place. However, he commended both lead managing houses on the way in which they executed the deals.

Dominique Jackson

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	4,861.8	1.0	0.0	10,895.2
Prev	1,749.6	0.0	0.0	7,300.3
Other	3,853.0	8.9	1,299.6	1,542.3
Prev	4,567.1	28.2	534.5	2,528.1
Secondary Market				
US$	17,910.8	1,143.2	6,160.1	5,257.6
Prev	14,804.3	769.1	4,176.4	5,786.2
Other	21,259.6	1,102.0	6,751.8	29,454.9
Prev	18,318.2	1,065.9	5,061.9	32,632.0

	Cedel	Euroclear	Total
US$	11,640.3	34,569.4	46,209.7
Prev	10,271.4	24,314.5	34,585.9
Other	28,724.1	36,548.0	65,272.1
Prev	29,016.5	35,719.4	64,735.9

Week to November 17, 1988 Source: AIBD

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Hitachi C'stn. Mach.♦♦	100	1992	4	4⅞	100	Nomura Int.	4.875
Union Bank of Finland♦	150	1992	4	9½	101½	Nomura Int.	9.037
Republic of Turkey(f)♦	150	1998	10	11⅛	100	Bankers Trust Int.	11.125
Shimizu Europe♦	50	1993	5	9¾	101⅞	Yamaichi Int. (Eur)	9.229
Swedish Export Cr.(c)♦	250	2018	30	10.15	100⅞	Merrill Lynch	10.057
Ind. Bank of Japan♦	80	1993	5	9½	101⅞	IBJ Int.	9.081
AUSTRALIAN DOLLARS							
Montreal Trust Co.♦	50	1990	2	14⅞	101⅞	County NatWest	13.692
Fin. for Danish Ind.♦	50	1992	4	13¾	101⅞	Norddeutsche LB	13.160
Bergen Bank (d)♦	100	1994	5	7¼	101⅞	IBJ Int.	
SWISS FRANCS							
Inter-Lease★★♦	20	1993	-	4⅝	100¼	Taiyo Kobe Finanz	4.596
Meltec Corp.★★§	50	1993	-	(½)	100	Royal Trust Bk(Switz)	★
Chisan Co.★★♦	50	1993	-	4⅝	100¼	Credit Suisse	4.565
Nestle Holdings Inc.♦	300	1995	-	4½	101	Credit Suisse	4.331
LUXEMBOURG FRANCS							
C'pagnie Bancaire(e)★★♦	600	1993	5	7½	100¼	Bqe Paribas (Lux)	7.435
Copenhagen Handelsbk★★♦	300	1993	5	7½	100	BIL	7.500
S'kassen Sydjylland★★	300	1993	5	7¾	100⅜	C.d'Epargne de l'Etat	7.657
ECSC♦	400	1995	7	7	100½	BIL	6.878
ECUs							
Halifax B. Society♦	125	1993	5	8	102	Banque Paribas	7.506
Ferrovie dello Stato♦	100	1993	5	7¾	101⅞	Banco di Roma	7.289
Nestle Holdings Inc.♦	250	1991	3	7⅞	101⅜	Bankers Trust Int.	6.852
LIRE							
ECSC♦	120bn	1993	5	10⅞	101⅛	San Paolo Bank	10.409
DANISH KRONER							
Bacob Finance♦	200	1993	4½	9	100⅞	Privatbanken	8.769
ASLK-CGER IFICO♦	300	1993	5	9¼	100⅞	Sparekassen SDS	9.025
FINNISH MARKKA							
Nordic Investment Bank♦	400	1994	5	9⅝	100½	Postipankki	9.495
D-MARKS							
Copenhagen Handelsbank♦	150	1998	10	6½	101	WestLB	6.362
Deutsche Girozentrale♦	125	1993	5	5½	100¾	D'sche Girozen.-Komm.	5.325
SBC Fin.(Cayman Is)★★♦	70	1993	5	5½	101	Swiss Bank Corp.	5.267
YEN							
Girozentrale-Vienna(a)♦	5bn	1993	5	6.4	101⅞	DKB Int.	5.955
Skopbank(b)♦	5bn	1994	5½	6	101⅞	Nippon Credit Int.	5.586
Halifax B. Society♦	30bn	1993	5	5¼	101⅞	IBJ Int.	4.819

★Not yet priced. ★★Private placement. §With equity warrants. ... Note: Yields are calculated on AIBD basis.

This announcement appears as a matter of record only. The Securities referred to below have not, as part of the distribution, been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered directly or indirectly in the United States of America, its territories or its possessions or to United States persons.

New issue

28th September, 1988

HFC

Household Financial Corporation Limited

(Incorporated under the laws of Ontario, Canada)

Can. $75,000,000

11 per cent. Guaranteed Notes due 1993

unconditionally guaranteed by

Household Finance Corporation

(Incorporated under the laws of Delaware, U.S.A.)

Issue Price 101¼ per cent.

Union Bank of Switzerland (Securities) Limited

Goldman Sachs International Corp. — **RBC Dominion Securities Inc.**

ScotiaMcLeod Inc. — **Wood Gundy Inc.**

Banque Bruxelles Lambert S.A. — **Commerzbank Aktiengesellschaft**

Crédit Lyonnais — **Generale Bank**

Kredietbank International Group — **Shearson Lehman Hutton International**

Westdeutsche Genossenschafts-Zentralbank eG

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New issue

24th October, 1988

T.C.C. Beverages Ltd.

The Coca-Cola* Bottling System of Canada.

Can. $75,000,000

11 per cent. Notes due 1993

Issue Price 101⅞ per cent.

Union Bank of Switzerland (Securities) Limited

Credit Suisse First Boston Limited — **RBC Dominion Securities International**

Wood Gundy Inc.

Banque Bruxelles Lambert S.A. — **Commerzbank Aktiengesellschaft**

Crédit Lyonnais — **Generale Bank**

Goldman Sachs International Limited — **Kredietbank International Group**

J.P. Morgan Securities Ltd. — **Société Générale**

Westdeutsche Landesbank Girozentrale

Banque Générale du Luxembourg S.A. — **Banque Internationale à Luxembourg S.A.**

Crédit Communal de Belgique S.A. — **Leu Securities Limited**

**Trade marks of Coca-Cola Ltd.*

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New issue

31st August, 1988

Ford

Can. $100,000,000

Ford Motor Credit Company

10⅛% Notes due August 31, 1990

Issue Price 101 per cent.

Union Bank of Switzerland (Securities) Limited

Commerzbank Aktiengesellschaft — **Goldman Sachs International Corp.**

ScotiaMcLeod Inc. — **Wood Gundy Inc.**

Algemene Bank Nederland N.V. — **BNP Capital Markets Limited**

Bankers Trust International Limited — **Banque Bruxelles Lambert S.A.**

Banque Internationale à Luxembourg S.A. — **Crédit Lyonnais**

Credit Suisse First Boston Limited — **Daiwa Europe Limited**

Generale Bank — **Merrill Lynch International & Co.**

RBC Dominion Securities Inc. — **Yamaichi International (Europe) Limited**

This announcement appears as a matter of record only. These Notes have not been qualified for sale under the securities laws of Canada or the United States of America.

New issue

25th October, 1988

Montreal Trust

Can. $100,000,000

Montreal Trustco Inc.

(Incorporated under the laws of Canada)

11 per cent. Debentures due October 25, 1993

Issue Price 101⅞ per cent.

Union Bank of Switzerland (Securities) Limited

Banque Bruxelles Lambert S.A. — **Goldman Sachs International Limited**

SBCI Swiss Bank Corporation Investment banking — **Société Générale**

Wood Gundy Inc.

Banque Internationale à Luxembourg S.A. — **Chase Investment Bank**

County NatWest Limited — **Crédit Commercial de France**

Crédit Communal de Belgique S.A./Gemeentekrediet van België N.V. — **Crédit Lyonnais**

Daiwa Europe Limited — **Generale Bank**

Genossenschaftliche Zentralbank AG-Vienna — **IBJ International Limited**

Manufacturers Hanover Limited — **Mitsubishi Finance International Limited**

Mitsui Finance International Limited — **Sumitomo Finance International**

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Doomsday scenario paints a slump

THINGS COULD go terribly wrong for the US during the next year, if the shaky performance of financial markets since the US election tells us anything.

The doomsday scenario includes a collapsing dollar which forces the US Federal Reserve to raise interest rates just when the economy is finally starting to slow down and when inflationary pressures are already built into the system.

There are those who believe that, while there are still overheating concerns after a set of figures showing strong October growth, a recession could be triggered as early as the second half of next year if the US Federal Reserve responds aggressively to a weak dollar and inflation worries.

As far as the twin deficits are concerned, according to the doomsday scenario, a depreciation in the dollar would not help the trade balance significantly because those industries at the centre of the export boom are banging up against capacity constraints.

Few have any faith in Mr George Bush, the president-elect, and Congress taking effective action to cut the deficit, at least until the first deadline for mandatory cuts under Gramm-Rudman-Hollings comes up next August. Lack of faith is overwhelming as Mr Bush prepares to take office.

The General Accounting Office, the independent Congressional watchdog agency, rejected the budget deficit-cutting plans of both Mr Bush and his Democratic rival Governor Michael Dukakis, and said in a report published on Saturday that any plan to reduce the deficit would have to include cuts in spending and rises in taxes, including personal income tax.

This runs directly counter to Mr Bush's campaign promise – "Read my lips" – not to raise taxes and adds another formidable voice to the chorus that remined silent during Mr Bush's run for the presidency but has become voluble since *his victory.*

'The political outlook is for grid-lock – not a good scenario for an ambulance-driving administration stuck in traffic with a budget deficit heading for intensive care and spilling red ink on the way. The foreign investor is tired of providing the never-ending transfusions for this patient. Meanwhile, the President-elect and Congress keep bickering about the kind of tourniquet to use. It's a desperate image for a desperate situation'

One of the most influential voices in this debate is Mr Alan Greenspan, chairman of the Federal Reserve, who last week sounded stern warning shots across the bow of the incoming Administration in a speech to the hopelessly divided National Economic Commission, whose report on how to cut the budget deficit seems as far as ever from being completed.

The most significant section of Mr Greenspan's speech was his overt and categoric rejection of the Bush campaign team's notion that the US economy can simply grow out the budget deficit. That theory, said Mr Greenspan, would require an "arcane set of assumptions."

He raised the spectre of an investment strike by the overseas institutions that have *funded the deficit throughout* the 1980s, saying that foreign capital inflows would not be sustained at current levels.

Mr Robert Brusca, chief economist with Nikko Securities in New York, which can read better than most the smoke signals coming out of the Tokyo investment community, is alarmed.

"The economic situation is difficult. But the political outlook is for grid-lock – not a good scenario for an ambulance-driving administration stuck in traffic with a budget deficit heading for intensive care and spilling red ink on the way. The foreign investor is tired of providing the never-ending transfusions for this patient. Meanwhile, the president-elect and Congress keep bickering about the kind of tourniquet to use. It's a desperate image for a desperate situation."

Financial markets tend to oscillate violently between despair and euphoria and they invariably overshoot. They may be overdoing the pessimism now.

Nevertheless, a market that has decided to try and find the bottom for the dollar at a time when the Administration is simply saying that everything is swimming along nicely is a headache for the US Federal Reserve.

It is a mark of the deep cynicism of Americans during the Presidential campaign and the financial markets since the election that Bobby McFerrin's cheery chart topper Don't Worry, Be Happy has become an ironic comment on Bush *and his team.*

Financial markets do not want to hear complacency and the dollar started falling again last week as soon as Mr Nicholas Brady, who will be the new Administration's Treasury Secretary, said that he was not worried about current pressure on the dollar.

Mr Greenspan is clearly concerned about the dollar and told the National Economic Commission that the financial markets needed evidence that the Bush Administration would act on the deficit.

The Fed is plainly worried about the awesome responsibility it faces while there is fiscal deadlock in Congress. Until direct and effective action is taken on the deficit in Washington, the brunt of policy-*making will fall* squarely on the central bank.

The outbursts of official concern since the election, coupled with the thumbs-down of the financial markets, may of *course prove positive in the* long term and serve to concentrate minds within the new Bush team and Congress.

As Ms Maria Fiorini Ramirez of Drexel Burnham Lambert put it in her market report last Friday: "The worse it all gets near term – that is, the dollar, the equity, the fixed income markets – the better it could be longer term."

While everything at the moment points to higher interest rates in the months ahead, there is little conclusive evidence yet to suggest that the Fed has begun to tighten again. After trading often around 8⅝ per cent, the Fed funds rate settled back to 8¼ per cent again by the end of last week.

Whatever the Fed does, in these most sensitive days, is likely to be subtle.

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.32	8.31	8.25	8.32	6.27
Three-month Treasury bills	7.92	7.90	7.44	7.92	5.14
Six-month Treasury bills	7.93	8.21	7.59	8.04	5.74
Three-month prime CDs	8.85	8.65	8.48	8.85	6.77
30-day Commercial Paper	8.36	8.31	8.10	8.36	6.57
90-day Commercial Paper	8.51	8.45	8.10	8.51	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98¼	-¼	8.97	8.96	n/a
20-year Treasury	102⅛	+⅛	9.13	8.96	8.89
30-year Treasury	99½	+⅛	9.14	9.04	8.91

Source: Salomon Bros (estimates).

Money supply: In the week ended September 7 M1

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 17/11/88	Average yield† (%)	Last week	12 wks ago	26 wks ago
Overall	147.38	4.53	147.19	143.30	143.68
Government Bonds	148.63	4.18	148.44	143.31	144.31
Municipal Bonds	148.92	4.91	148.55	145.44	145.20
Govt.-guaranteed Bonds	149.92	4.95	149.65	146.96	146.71
Bank Debentures	140.58	4.45	140.31	137.40	137.74
Corporate Bonds	146.37	5.48	146.61	144.45	143.58
Yen-denom. Foreign Bonds	149.73	6.26	149.59	147.09	144.45
Government 10-year	4.86		4.86	5.29	5.04

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Contraction in short stocks looms

THE MARKET closed on a strong note last week. After a series of conflicting data it took heart from the provisional money supply data for October.

Gilts seem to be deriving some support from Mr George Bush's problems with the foreign exchange market and Mr Alan Greenspan at the US Federal Reserve.

For most of the week the tone of the market was lacklustre and activity was – or at least felt, to traders – low.

The Bank of England was said to be out of the market, despite the market's generally weak showing, sparking some debate as to the Bank's tactics in its dealings with the market.

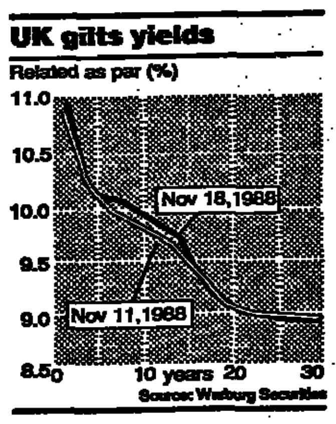
The main focus of the market's interest of late has been the Bank of England's buying in activities at the long end of the market.

This has been entirely appropriate because that is where the fullest effect of the Bank's activities has been felt in terms of price and yield.

The Bank's purchases have also been disproportionately weighted towards purchases of long-dated stocks.

On estimates by Warburg Securities, the Bank in the first half of the 1988/89 financial year has bought in £222m of stocks maturing over 1 year and under 5 years; £738m of stocks maturing between 5 years and 15 years; and £1.17bn of stocks maturing in 15 years and over.

In its latest bulletin, the Bank published its annual estimates for the distribution of the national debt by holder and maturity.



Although precision in this area is difficult, the percentages of debt bought in by maturity are suggestive.

In terms of gilts in the markets hands, the Bank has bought in 0.6 per cent of the outstanding shorts (as defined), 1.2 per cent of the mediums and 3 per cent of the longs.

Although the Bank denies that it has a 'policy' towards buying in, save that it will buy what is offered if it feels like it, the consequences of this 'policyless' policy are clear.

The average maturity of the Government's debt continues to shorten and the gilts market contracts.

Last week, however, the market began to look at the implications for the very short end of the gilts market of the Bank's buying-in but, more importantly, the effect on that part of the market of the heavy load of redemptions over the coming years.

In a situation where it appears unlikely (or is it?) that the Bank will not be issuing any more short stocks, the short end of the gilts market is looking forward warily to a large scale contraction in the stock of outstanding gilts.

Building societies are particularly concerned given that past changes to their capital adequacy rules and more changes in train induce them to invest in the short end of the market.

The interaction of redemptions and no issues produces the following profile for the stock of gilts with maturities up to two years at April: in 1989, £18.5bn outstanding; 1990, £13.4bn outstanding; 1991, £14.3bn outstanding; 1992, £14.8bn outstanding; 1993, £15.3bn outstanding.

The position begins to improve in 1991, although by 1993 the level of outstanding short gilts is still some £3bn below that of 1989.

In any event, the next two years are, for structural reasons alone, ones that will see a natural pressure for lower yields at the short end as banks and building societies scramble for stock.

This may be exacerbated by new liquidity requirements for banks and building societies shortly to be introduced by the Bank. The Bank detailed its ideas in a paper, Proposals for a Stock of High Quality Liquidity, in March.

This proposed that banks and building societies maintain a proportion (10 per cent to 20 per cent upon negotiation) of their 'sight to 8 days' liabilities in: cash, operational balances with the Bank, UK Treasury Bills, gilts up to 12 months, eligible bank and local authority bills and secured deposits with the discount houses and gilts market.

Currently, 'sight to 8 days' liabilities total around £175bn. If, say, on average 15 per cent (or £26bn) has to be dedicated to the above instruments then, some in the market claim, gilt prices will become even more distorted under the impact of demand.

The Bank appears relatively sanguine about the situation. If gilts become expensive then the relevant institutions can invest in other allowable forms of liquid assets. The gap, if it exists, may be filled by the development of other suitable instruments.

Against that the weight of demand may force up the prices of other relevant private investment securities and that may not necessarily be in the interests of the Bank's prevailing interest rate policy.

There is speculation that a two-year Treasury Bill, or similar, might be introduced. By law T-Bills can be issued up to only one year (although laws can be changed). In any case, this does not seem likely.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. [illegible]
CONVERTIBLE BONDS: US Dollars unless indicated. [illegible]
WARRANTS: [illegible]

Closing prices on NOVEMBER 18

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Investors in Prato may sue Bank of Italy

By Alan Friedman in Milan

A GROUP of small investors in the crisis-stricken Cassa di Risparmi di Prato, the Tuscan savings bank being saved from liquidation by a L1,100bn ($860m) financial lifeboat, is threatening to bring a civil lawsuit against the Bank of Italy alleging negligence on the part of the central bank's supervisors.

Mr Riccardo Landini, leader of 200 small shareholders in the Cassa di Prato, said yesterday the Bank of Italy should not have authorised the issue in 1984 of L57bn worth of non-voting savings shares in Prato.

"We have already deposited, on November 10, a dossier with the state prosecutor's office in Prato alleging the falsificiation of the Cassa di Prato's balance sheets in 1983 and 1984," Mr Landini said. "We are now planning a civil suit against both the Cassa di Prato and the Bank of Italy in which we are charging negligence and seeking the restitution of our investments."

The Bank of Italy said yesterday there were no officials available to comment on the planned lawsuit. The central bank, which has sent inspection teams into Prato three times since 1986, has been criticised by some Italian bankers for not having acted quickly enough to recognise the severity of the crisis at Prato.

The Tuscan savings bank has been in the hands of Bank of Italy commissioners since September.

The savings bank has L1,400bn of bad debts, of which L747bn are unrecoverable. There has been a run on deposits which has seen a 25 per cent drop in the deposit base to L1,650bn. Last week, after opposition from banks blocked an initial rescue plan put together by the central bank and Italy's new Deposit Guarantee Fund, the fund itself pledged to finance the L1,100bn lifeboat in two tranches.

Mr Landini claimed yesterday to speak for 200 small shareholders who invested L3bn of the L57bn equity issue in 1984. He said the shareholders feared they would lose all their investment.

Midi offers to buy part of Pebereau's SocGen stake

By Paul Bett in Paris

COMPAGNIE DU Midi, the French diversified insurance group, has offered to help resolve the deadlock in the controversial stock market raid launched by Mr Georges Pebereau, the former chairman of the French Compagnie Générale d'Eléctricité (CGE) group, against Société Générale, France's leading privatised commercial bank.

Midi, which recently merged its insurance subsidiary Assurances Groupe de Paris (AGP) with the insurance activities of the French Axa group, is understood to have offered to acquire part of the 9.16 per cent stake accumulated by Mr Pebereau and his financial partners in SocGen.

The Midi proposal could offer a face-saving solution to both parties, financial sources claimed at the weekend. On the one hand it would enable Mr Pebereau's group to make a capital gain, while on the other it would introduce a new neutral shareholder in SocGen.

Moreover, Mr Marc Vienot, the SocGen chairman, is believed to be on good terms with Mr Bernard Pagezy, the Midi chairman, and Mr Claude Bebear, Axa's chairman.

Mr Bebear, who is also a shareholder of Mr Pebereau's Marceau Investissements group, is understood to have been embarrassed by the raid on Société Générale Bourse.

The Midi proposal coincided with the first round of negotiations between representatives of Mr Pebereau's group and SocGen to seek a compromise.

Both parties are coming under pressure to resolve the affair, which is proving increasingly embarrassing for the French Government.

Moreover, some of Mr Pebereau's allies are understood to have pressed the former CGE chairman to negotiate a compromise with SocGen rather than return to the attack, by increasing his stake in the commercial bank.

Marceau Investissements, Mr Pebereau's investment group, indicated last week that it did not plan any further SocGen share purchases for the time being at least, and was anxious to co-operate with the commercial bank. At the same time, SocGen confirmed it had strengthened its defences against what it regards as a hostile raid.

Midi also played a leading part this month in helping Epeda-Bertrand Faure, the French diversified car seat maker, to put together a successful counter bid to thwart a hostile takeover launched by Valeo, the French car components group under the management control of Mr Carlo De Benedetti, the Italian businessman.

Pechiney 'in US acquisition'

By Paul Betts in Paris

PECHINEY, the French nationalised aluminium group, was said yesterday to be on the verge of announcing a large US acquisition to expand its packaging operations.

The speculation follows remarks by Mr Michel Rocard, the French Prime Minister, on Saturday that he expected an important economic announcement to be made today. His office later confirmed a leading French company was involved.

Although government officials refused to disclose the name of the French company, they indicated that the deal to which Mr Rocard referred had "international implications." This prompted speculation that the company was Pechiney, which was reported by Le Figaro, the French newspaper, on Saturday to be completing a big deal between its Cebal packaging subsidiary and an American group.

Pechiney has been seeking to expand its Cebal packaging operations through a significant acquisition or alliance. The recent merger between its French rival Carnand and MB Group of the UK appears to have put pressure on the aluminium group to complete a major deal to strengthen its position in packaging.

The French Government also indicated at the weekend that it planned to advance FFr500m ($84.2m) to the Chantiers de l'Atlantique, the shipyard controlled by the Alsthom engineering group, to help the yard win a new order to build a luxury cruise liner.

Hitachi deal with NatSemi rumoured

By Louise Kehoe in Tokyo

NATIONAL Semiconductor of the US and Hitachi of Japan have declined to comment on persistent rumours that National is in talks with Hitachi about the possible sale of National Advanced Systems, its mainframe computer business.

Reports of the talks, in Japan and the US, were neither confirmed nor denied. Hitachi supplies the mainframe computers that are sold by National in the US and Europe.

Fuelling the talk of a possible sale are comments made by Mr David Martin, president of NAS, at National's recent annual meeting, at which he acknowledged that NAS faced a cost disadvantage compared to its main competitors – IBM, which builds its own mainframe computers, and Amdahl, which buys sub-assemblies from Fujitsu of Japan.

Analysts interpreted his remarks as an admission that the basis upon which NAS operates is no longer tenable. They said National had been seeking a buyer for NAS for several weeks and Hitachi was the most likely buyer since it already supplied hardware to the company. National, they said, was likely to put a price of $250m to $300m on NAS.

Israel recycles military sales debt

By Andrew Whitley in Jerusalem

THE ISRAELI Treasury has launched a fresh, $2.25bn package of bond issues in the US market, recycling a large chunk of the country's foreign military sales (FMS) debt to the US Government at lower interest rates.

The latest issues – for terms ranging from four to 10 years – carry US government guarantees for 90 per cent of their face value.

The remaining 10 per cent of Israel "exposure" will be covered by Israeli purchases of new issues of US Treasury bonds.

The Finance Ministry said yesterday that the latest package, the second since the US Congress approved legislation enabling foreign governments to reduce their interest payments in this way, had been even more successful than the first.

In September, Israel sold $2.5bn of FMS-related bonds on similar terms. The average price paid on the new issues, released towards the end of last week, was 9.3 per cent – an interest rate that one official noted was lower than that gained recently by the World Bank.

In all, Israel has therefore been able to retire so far some $4.75bn of its more expensive military debt to the US, carrying interest rates above 10 per cent. About $5.5bn of the $8.5bn debt to the US is eligible for recycling under this scheme.

According to the Finance Ministry, the September bond issues should result in effective savings to the country of up to $90m a year, spread over a 14-year period. Gross savings were put at $750m over the planned full term of the older debt.

One condition attached by the US Government to the recycling exercise is that whatever savings accrue will be put towards a reduction of national debt, rather than an increase in public expenditure.

A guarantee to this effect is understood to have been given to Washington by Finance Minister Moshe Nissim.

Canada relaxes rules on banks' brokerage offices

By David Owen in Toronto

CANADIAN securities commissions have unveiled regulations permitting financial institutions to operate brokerage offices in their branches for the first time.

The move, which brings one-stop shopping for financial services to Canada, comes almost 17 months after deregulation of the domestic securities business took effect.

Under the new regulations, institutions must establish "identifiably separate premises" for brokerage offices in their branches, under a separate name and with a different telephone number. Brokers employed in the branches are barred from conducting bank business with customers when in the securities offices.

Customers must be advised of the risks involved in trading securities. This must include written notice that funds held by the securities dealer are not insured by any government agency.

The institution can advertise its brokerage unit's products within the branch. But there can be no expressed opinion of the value of the securities in question.

Within hours of the regulations being announced, discount broker Marathon Brown opened an office in a Toronto branch of Guaranty Trust. Central Capital, the fast-growing Halifax-based conglomerate, has a major stake in both firms.

Three other securities dealers, including Toronto Dominion Securities, have applied to the Ontario Securities Commission to open similar offices.

Intel forecasts drop in earnings

By Our Financial Staff

INTEL, THE leading US microprocessor, is forecasting a drop in revenues and earnings in the fourth quarter.

The group said it had revised its outlook as a result of inventory correction by computer makers which was affecting the 386 microprocessor, used in the latest personal computers and companion chips.

The group, which reported record earnings in the third quarter, is predicting that fourth-quarter sales will be 10 per cent below third-quarter revenues. In addition earnings are expected to be down to between 40 and 50 cents per share from 78 cents per share in the third quarter when the group reported a 77 per cent rise in net income to $143m on revenues of $785m.

The company's fourth-quarter prediction would give it total earnings of $2.45 to $2.55 per share on sales of about $2.93bn for 1988.

Intel's performance has been watched closely for signs of softening in the computer market, on which it is heavily dependent. One analyst commented that Intel's forecast seemed to indicate that the current slowdown was worse than he expected.

Mr Andrew Grove, Intel president, said: "We have been talking closely with our customers and they indicate that their business outlook is good. We think we will work our way through this situation by the second quarter of next year and expect growth to resume at that time."

Mr Michael Gumport, of Drexel Burnham Lambert, said: "This looks like the current slowdown is worse than I was looking for."

Suntory profits fall by 83.3%

By Gordon Cramb in Tokyo

SUNTORY, the Japanese beverages producer with which Allied-Lyons of the UK last month formed a shareholding and marketing alliance, has shown an 83.3 per cent drop in interim pre-tax profits to Y8.14bn ($66m).

Beer sales were down 3.7 per cent and the company said competition was made tougher by a promotional battle among Japanese brewers for so-called dry beer, a new premium range high in alcohol.

However, the earnings decline was largely attributable to a fall-off in sales of Suntory's investment holdings. In the previous first half, profits had jumped ninefold because of a Y41.3bn special contribution from securities sales.

Suntory said its foreign liquor division in the latest six months to September was in the black for the first time in four years, on a good performance by its recently launched Suntory Old whisky.

Mitsui Ocean Development and Engineering, Japan's largest oil rig and marine projects specialist, is to cease business at the end of the year because of mounting losses and a decline in offshore energy exploration.

The company, a Mitsui group venture established 20 years ago, had ambitious plans to construct a floating city. These are now in doubt, although a new and smaller company is being formed to take over some Mitsui Ocean activities.

Sales reached a peak of Y55bn in 1981, but the subsequent decline in its basic oil services business left turnover at only Y2.3bn in its latest year, on which Mitsui Ocean incurred a loss of Y4.1bn.

The company is owned by Mitsui Engineering and Shipbuilding and the Mitsui & Co trading house.

Hitachi Zosen, another leading shipbuilding company, has reported a narrower first-half loss of Y12.86bn before tax, down from Y19.62bn. Sales fell 19 per cent to Y93.39bn

The sum of the properties of a compound is larger than the sum of the properties of its components.

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Brand valuation expected to feature in RHM result

By Nikki Tait

RANKS HOVIS McDougall, the UK bakeries and food group, is expected to accompany its full-year figures with some form of "brand" valuation on Tuesday.

The company yesterday declined to discuss reports of the accounting change in the weekend press, or elaborate on the details. However, it seems likely that the valuation will apply to a spread of brands, rather than just those acquired as part of the takeover of Avana in 1987.

The question of brand valuation featured strongly during the bid battle for Rowntree earlier this year, and since then Grand Metropolitan has joined the small band of UK companies - which includes Reckitt & Colman and United Newspapers - giving brands a postive value in the balance sheet. RHM brands take in the likes of Mother's Pride, Robertson's jams, and Mr Kipling cakes.

RHM has also been in the bid spotlight recently. A £1.7bn hostile offer from the Australasian food group, Goodman Fielder Wattie, was abandoned after being referred to the Monopolies Commission this summer. Since then, GFW has attempted to sell its 29.9 per cent stake but said recently that no single unconditional cash offer for the holding had been received.

It is no secret that RHM has been looking at ways of relieving the situation, and some talk of putting together a "friendly" institutional group to take the holding has surfaced.

British Gas silent on Carless

By Nikki Tait

BRITISH GAS yesterday refused to comment on a weekend press report that it might be interested in mounting a counter-offer for Carless, the oil independent which is fighting an unwanted £208m bid from Kelt Energy.

"It is our policy never to discuss market speculation," added the company.

The Kelt offer heads towards its first closing date on Thursday, and - with the Carless share price 2p below Kelt's 115p a share cash offer - numerous rumours, including talk of a management buyout, and a good deal of mud-slinging has developed. Carless also declines to comment on concrete possibilities, saying only that "there's been a lot of activity."

Carless has made clear its distaste for the financing of the Kelt offer, which involves a £200m loan facility repayable over 12 months - probably the most short-term financing yet seen in a leveraged bid.

Kelt has acquired 7.73 per cent of Carless' equity, and has a non-binding undertaking from London Merchant Securities to accept in respect of 27.2 per cent. A further key 8.3 per cent is held by Rawda Investments.

GrandMet buys more ID shares

Grand Metropolitan, which is fighting Pernod Ricard for control of Irish Distillers, has taken its stake in the Irish company to 30.06 per cent and waived all conditions on its I£5.25 per share offer save that of acceptances exceeding 50 per cent.

GrandMet has continued buying shares in ID despite a ruling from the Takeover Panel which appeared to leave Pernod in control of the whiskey distiller. Today GrandMet will appear before the Takeover Panel to seek leave to appeal over this decision.

EW Fact to join USM

By Fiona Thompson

EW Fact, provider of accountancy and banking tuition courses and financial textbooks, is to join the USM in a placing which values the company at £4.22m.

Schaverien is placing 2m shares, representing 39.8 per cent of the enlarged capital, at 84p each. Existing shareholders are selling 1m shares, and the 1m new shares will raise £540,000 for the company. Part of the new money will be used to expand the existing lecture facilities and part for additional working capital.

The business has operated in its present form since 1983. The group specialises in providing tuition courses for the examinations of the Chartered Association of Certified Accountants, the Chartered Institute of Management Accountants and the Chartered Institute of Bankers.

From 1983 to 1987 pre-tax profits have increased from £40,000 to £502,000 on sales up from £1.59m to £2.11m. The directors are forecasting pre-tax profits of not less than £534,000 for the year to December 31 1988, producing a prospective p/e multiple of 8.7.

Local London shares slide

SHARES IN Local London, the property group, fell sharply after it announced that "no further discussions" were contemplated with Brent Walker, the leisure group.

Brent Walker launched a "teatime raid" on Local London shares in September, acquiring a stake of 14.9 per cent which was subsequently increased to 24.9 per cent.

However, Local London said that contacts between the two companies had not resulted in any firm proposals being received. On Friday its shares fell 42p to 468p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Brown Shipley, CML Microsystems, City Gate Estates, Control Securities, De Morgan Group, EMAP, Govett American Endeavour Fd., Parkland Textiles, Stocklake Hldgs., Tomorrows Leisure, Unit Group, Welpac, Wilshaw.

Finals- Cosalt, Diploma, GPG, Piccadilly Radio, Shaftesbury, Shani Group, Ta Ibex, Volex.

FUTURE DATES

Interims-

Bromsgrove Inds.	Nov. 28
Jarvis Porter Group	Nov. 30
Premier Cons. Oil	Nov. 29
Finals-	
Granada Group	Dec. 13

Minorco sends Gold Fields a reassurance

By Kenneth Gooding, Mining Correspondent

SIR MICHAEL Edwardes, chief executive of Minorco, has given another indication that the South African-controlled investment company hopes to keep most of the senior operating executives of Consolidated Gold Fields if Minorco gains control of the UK mining and industrial group.

He has written in conciliatory tones to Mr Bill Brown, chief executive of Gold Fields' wholly-owned US subsidiary, Gold Fields Mining Corporation, to assure him:

"You were not and are not on any list of people who we would ask to leave when our offer goes unconditional."

Sir Michael sent the letter following the report in the Financial Times on Friday of Mr Brown's hostile remarks about Minorco and its major shareholder, the Anglo American Corporation.

During the interview Mr Brown suggested that, if Minorco's bid for Gold Fields was revived and succeeded, he expected to be fired.

Sir Michael takes up another point made by Mr Brown - about Minorco's change from being a passive investment company to one which wants "hands-on" management of the assets it controls.

"Changing from being a passive investor does not mean teaching others how to run their businesses.

"What we are concerned to do in the future is to have a say in the selection and motivation of key managers, for precisely the purpose you allude to: to lift the calibre of our operations," he says.

In a reference to Minorco's new-found independence, Sir Michael points out that he has not been an Anglo American executive either "historically or currently".

He also notes that he has been to 44 Main Street, Johannesburg, the Anglo headquarters, only once.

"Minorco has changed," he adds. "The very problems you touch on are good reasons for Minorco to be an independent company with an independent board of directors and that in their wisdom is how Minorco's present shareholders see their interests best served."

Sir Michael tells Mr Brown: "I can understand that in a hostile bid people tend to take up positions, but I don't think it would be unreasonable for us to meet and talk after we have control of ConsGold and then make up our minds."

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

American Intl. Grp. (Section: Insurance).

Newmarket Venture Capital (Trusts, Finance, Land).

Ritz Design Grp. (Stores).

Sunset & Vine (Leisure).

Day of decision for Virgin

Nikki Tait on the vote over Richard Branson's plan to go private

SHORTLY AFTER 10 this morning, the fate of Richard Branson's Virgin Group should be sealed.

Shareholders are due to vote today on the plan to take the company back into private hands, via a 140p a share offer for the group from a new management-backed vehicle called Glowtrack. While the general feeling among analysts is that the scheme will probably be approved, this morning's outcome will still be watched with considerable interest.

For a start, the Virgin deal has a number of novel features. Carrying a £248m price-tag at the offer price, Virgin is the largest company to attempt a shift from quoted to private status - a thought which depressed stock market conditions appear to be encouraging at a number of other groups. It has been suggested that the ease with which Virgin manages this move may have some bearing on the number of similar such schemes which subsequently emerge. Certainly, to date, despite all talk, the amount of firm proposals to actually materialise has been small.

On a more technical note, the Virgin scheme has been structured somewhat differently to other similar recent deals - at the likes of Glass Glover or Dwek Group, for example. Instead of the new management buyout vehicle making a conventional offer, shareholders in the case are being asked to approve a scheme of arrangement which will effect the cash bid.

The vote on the scheme of arrangement requires a 75 per cent majority, and the 60 per cent of Virgin which is owned by members of the management buyout team cannot be voted. But assuming the necessary majority is achieved, the cash offer will then be automatically implemented in respect of all shares. In short, Virgin will have avoided the problem of a few shareholders sticking out as a recalcitrant minority.

At the end of last week, few analysts foresaw failure for the Branson plan, although as Bruce Jones at Kitcat & Aitken puts it: "It's not quite a fait accompli". The offer is pitched at 140p a share - the price at which Virgin shares were floated two years ago, and some 50p above the level last June before talk of the management buyout proposal surfaced.

Given Virgin's warning noises about profits for the year just ended, its cautious medium-term view, and the fact that analysts have been scaling down estimates to perhaps £26m in 1987-88, a historic exit multiple of around 15 times seems respectable. That said, the Virgin scheme does raise again the thorny issue of investors' time horizons.

Perhaps the best public indication of the expected longer-term prospects for group are contained in the loan agreement between Glowtrack and the banks which are helping to fund the buy-out. For example, Glowtrack is covenanting that the consolidated cumulative retained earnings of the company will rise from just £7m in the year to end-July 1989, to £30m, £45m and then £85m in the following three years. While it is probably incorrect to infer that a chunky £40m will arise in 1991-92 alone, it is obvious that some sharp progress is expected in the nineties.

On the core music side, too, Glowtrack has covenanted earnings before interest and tax of just £15m in 1988-89, rising to £37m in the following year, and then £53m in 1990-91 and a comparable or higher figure thereafter. In 1986-87, pre-interest profits from the music business were £20.5m.

On the way, Virgin is required to find at least £55m worth of disposals. These, it seems, will come partly from the sale of the smaller recorded music shops and partly from a dismembering of much of the property arm.

Covenanted figures, of course, are no firm guarantee, but management buyout team is obviously staking a good deal on meeting such targets. Most analysts, morever, concede that a significant improvement in the nineties looks feasible - although add the caveat that progress will be very contingent on the extent to which Virgin's push into the US music business comes right. Indeed, there does appear to be some regret that Virgin may disappear from the public stage. "I suppose you could say that it is an indictment of investors," commented one analyst.

And for once it will not be entirely fair to blame the institutions: Virgin's much-hyped flotation, after all, has left the group with some 40,000 individual shareholders. While money in hand is undoubtedly welcome in these dicey times, the sight of shareholders failing to look just three years out is not one of the City's more edifying sights.

Plessey prepares its strategies

By Terry Dodsworth and Nikki Tait

PLESSEY, the defence and telecommunications group which is facing a £1.7bn hostile bid from the newly-formed joint venture company GEC-Siemens, yesterday confirmed that a number of other companies, including some from outside the UK, had been in touch "on a friendly basis".

However, Plessey added that it had drawn up a list of various alternative strategies, and was waiting to see further detail and clarification of certain aspects of the bid, which it hoped would be contained in the formal offer document.

Aside from outside advisers, it had also formed an internal "defence team", comprising specialists from various parts of the group, which reports to Sir John Clark, the chairman.

Some scepticism about "white knight" possiblities had been expressed because, in the event of a change of ownership of Plessey, GEC would have a pre-emptive right to buy out Plessey's share in GPT, the telecommunications group owned jointly by GEC and Plessey and which accounts for a significant part of Plessey's business.

Other analysts, on the other hand, have suggested that the presence of a possible ready buyer for the GPT interest might make financing easier if a rival bidder was interested in the defence electronics side rather than telecommunications.

Leaders of the Manufacturing Science Finance union (MSF), the leading trade union for technical workers at GEC and Plessey, are seeking urgent meetings with Sir John, Lord Weinstock, managing director of GEC, and Mr Karlheinz Kaske, chief executive of Siemens.

Mr Larry Brooke, national officer of MSF, said yesterday that the union would make no judgement on the GEC-Siemens bid for Plessey until it had heard the views of the companies themselves.

"We want to know what plans GEC and Siemens have for the next generation of telecommunications equipment, and what impact these projects will have on the UK end of the business," he said. "As far as the defence activities are concerned, we shall want to know how they see the development of these businesses and whether there might be any closures."

MSF has about 8,000 members in Marconi, the GEC defence electronics subsidiary, and a further 4,500 in Plessey and GPT combined. The majority of these are white collar workers.

Mr Brooke added that MSF was planning to invite IG Metall, West Germany's principal industrial union, to a discussion on the proposed takeover as soon as MSF leaders had met the GEC, Siemens and Plessey managements.

Compass to raise £80m via offer for sale

Compass, a catering and hospital management group which staged a buy-out from Grand Metropolitan last year, said at the weekend that it planned to raise some £80m from the impending offer for sale of shares in the company.

Compass, which has now published a pathfinder prospectus, said that around £25m would come from institutions who backed the buy-out and currently hold £30m-worth of redeemable preference shares. They will subscribe for ordinary shares at the offer price, which has yet to be fixed. It seems that Compass will release about 40 per cent of its equity in the flotation, rather the 30 per cent previously mooted.

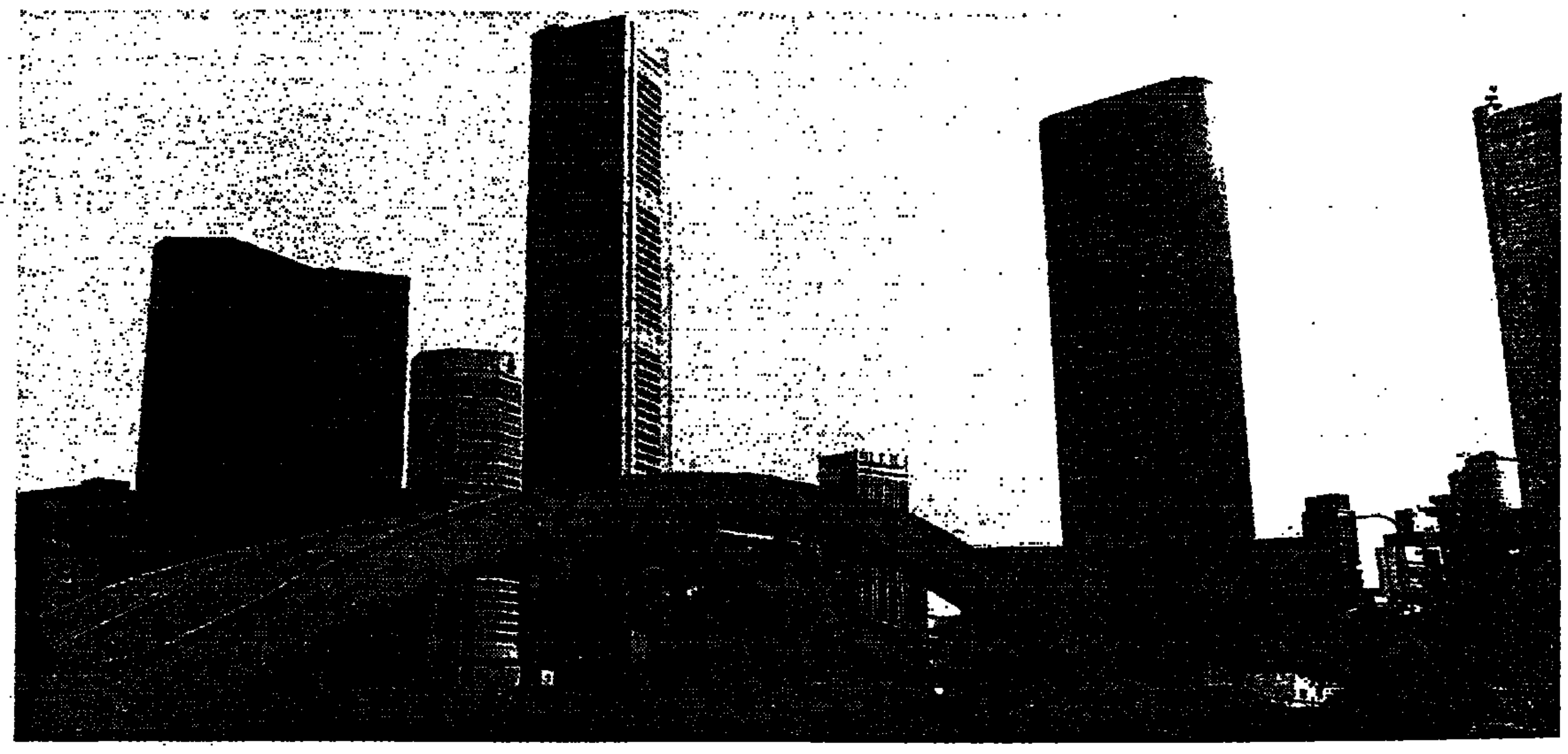
In the pathfinder document, Compass says that the reduction in borrowings and increase in equity following the flotation will provide a base for further expansion.

FINANCIAL TIMES STOCK INDICES

	Nov. 18	Nov. 17	Nov. 16	Nov. 15	Nov. 14	Nov. 11	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.21	87.94	88.08	88.12	88.37	88.33	91.43	86.28	127.4	49.18
Fixed interest	97.18	97.11	96.96	97.26	97.28	97.20	98.67	94.14	105.4	50.53
Ordinary	1489.0	1487.5	1477.1	1460.9	1452.5	1461.2	1514.7	1349.0	1926.2	49.4
Gold mines	176.2	178.3	177.9	178.0	178.8	178.2	312.5	162.7	734.7	43.5
FT-Act All Share	951.59	951.57	944.61	941.97	937.87	943.42	978.58	870.19	1238.57	61.92
FT-SE 100	1823.4	1823.6	1807.3	1802.3	1794.3	1802.7	1879.3	1694.5	2443.4	986.9

FINANCIAL TIMES SURVEY

Singapore sets and achieves high standards. There will be no relaxation, indeed the pressure is likely to intensify, with even less tolerance for forms of individualism which are interpreted as being alien to the pursuit of national objectives, writes **Roger Matthews**



Singapore's business district
Picture: Cathy Folland

Singapore

In search of excellence

SINGAPORE is booming. High growth, low inflation, full employment, positive balance of payments, large per capita reserves and one of the highest savings levels in the world. And for much of the year the sun shines.

It is the stuff of prime ministerial dreams, except in Singapore. The expression "resting on your laurels" could never have been conjured in this geographical blip in south east Asia, where the past is only invoked to raise fears for the future, and the present is only relevant as a measure of what still has to be achieved.

"We shall reach our goals, not next year, but in the next decade. When we get there, we shall discover that there will be further fields to conquer." From the lips of most Western political leaders such statements could be safely regarded as rhetoric. Not so from their Asian author, Mr Lee Kuan Yew. Just past his 65th birthday and into his 30th year as Prime Minister, Mr Lee does not much care for rhetoric and his people know it. Mr Lee's speeches come accompanied by graphs and tables. When he makes international comparisons he does not waste time with small fry. Britain, 1945-79, shows what can happen without strong leadership and national discipline. Japan, 1945-88, shows what can be happen with it.

The goal Mr Lee was referring to was that of productivity. The comparison was between a Japanese company which produced 30 per cent more with the same machines in Japan than it did in Singapore. The reason cited for the imbalance was that there is less absenteeism in Japan (Singapore itself has one of the lowest rates in the world), less job-hopping in search of higher wages, and no distinction between blue-collar and white-collar employees. They are all grey-collar workers. But, most important, Japanese workers have what Mr Lee described as a capacity for life-long learning and training which enabled them to improve their productivity "ceaselessly and endlessly".

So Mr Lee and his government wish it to be for Singaporeans. And not just in matters of industrial productivity. The slogan "Towards a Nation of Excellence" encompasses almost every sphere of human activity, ranging from the most personal and intimate to the cultural and recreational. Clever graduates are urged (and officially assisted) to marry other graduates to produce cleverer babies; the Malay minority is constantly warned of the need to improve performance; and those who fail to flush toilets get their photographs in the newspapers.

Materially, the results are impressive. From the efficiency of Changi airport and the national airline, to the stainless steel and marble stations of the new US$2.5bn Mass Rapid Transport system, to the quality of its hotels, Singapore sets and achieves high standards. In terms of public services it has already passed the status of newly-industrialising country and is now at least on a par with much of the industrialised world, sometimes ahead.

The strategy was simple. As Singapore felt it did not have the time, resources or skills after independence to establish an indigenous manufacturing or financial base, it set out to create the conditions to attract those who could provide them. Last year over 70 per cent of Singapore's manufacturing output was by companies controlled from abroad. The financial sector has evolved in much the same way, with an important part of banking profitability today stemming from foreign exchange dealing and other offshore activities. Such a high degree of external dependency does cause some government concern, but at the same time fuels an official obsession with ensuring that the conditions which attracted the initial investment are maintained and improved upon.

Political continuity is therefore deemed an imperative. Singapore maintains most of the trappings of the Western democratic system which it inherited from Britain, but its practice differs. Opposition is not deemed to be a necessary check on the Executive. Mr Lee never gives any indication that he does not know what is best for the country, even down to the issue of his successors. As he told the electorate in the run-up to September's general election, the second-generation political leaders in the Cabinet might not be the greatest, but they were certainly the best available.

Ill health apart, the succession issue is anyway something of a red herring. Mr Lee will continue to run Singapore for the foreseeable future, be it as Prime Minister, Secretary General of the ruling People's Action Party, holder of the planned post of elected President, or simply as the Singaporean equivalent of China's Mr Deng Xiaoping. Mr Goh Chok Tong, the first deputy prime minister, chastised of late by Mr Lee as being "too wooden" and since known popularly as "lumber one", has said that in a couple of years or so he will gently elbow the Prime Minister aside, but it will be in form rather than substance.

The general election produced good news for the government in that it won 80 of the 81 seats, and not-so-good news because it suffered a further, if small, erosion in its popular support. The result will have had little impact on foreign perceptions of Singapore, but for absolutist Singaporeans there were worrying aspects to the voting, in particular the performance of Mr Francis Seow, the former Solicitor General.

Mr Seow came within 1 per cent of winning the country's biggest constituency and drew huge crowds to his rallies. This despite (or perhaps because of) the fact that he had been detained for 70 days under the Internal Security Act and intensively interrogated about funds he had received, the implication being that the money had come from official American sources to support an opposition challenge to the government. At the same time an American diplomat was asked to leave Singapore for allegedly meddling in the country's domestic affairs.

KEY FACTS

Area	621.7sq km
Population	2.6m
Ethnic breakdown	Chinese 76.1%; Malays 15.1%; Indians 6.5%; others 2.3%)
GDP	US$20.6bn
GDP per capita	US$7,900
Inflation	0.5%
Merchandise exports	US$27.3bn
of which: Petroleum products	US$9.6bn
Telecommunications apparatus	US$5.2bn
Crude rubber	US$1.5bn
Merchandise imports	US$29.8bn
of which: Oil	US$12.5bn
Merchandise trade balance	US$-2.5bn
Currency	100 cents = 1 Singapore dollar (S$)
Exchange rate	US$1 = S$1.95 (15 November 1988)

1987 figures

The subsequent spate of anti-American invective, laced with warnings to other foreign governments and interest groups, sounded oddly strident coming from the normally cautious and measured lips of official Singapore and disappeared from view with the same suddenness that it sprang up. Coming after the discovery of an alleged Marxist conspiracy, the continuing hostility towards the foreign media, and alongside an unsavoury series of highly personal attacks on the now openly-critical former President of Singapore, Mr Devan Nair, confirmed for some Singaporeans that to oppose, in whatever form, was a very high risk pastime. It was also a hazardous occupation. Five members of the National Trade Union Congress, which describes its relationship with the People's Action Party as symbiotic, subsequently lost their jobs because they had stood as opposition candidates.

The quantity of official and media time devoted to these issues underlines just how worried the government is that Singapore is becoming excessively infected by Western culture to the detriment of traditional Asian values. The ideal would presumably be a Western-oriented economy married to politically Asian Singapore where, in the absence of large Japanese-style companies, the state fulfils the corporate role.

More should be known about this during the course of the next year as Brigadier-General (Reservist) Lee Hsien Loong, Minister of Trade and Industry and son of the Prime Minister, has been charged with chairing a committee which will formulate Singapore's "national ideology", drawing on and developing the work already done by organisations such as the Psychological Defence Unit, the Social Development Unit and the Feedback Unit.

A national ideology may, however, have little contribution to make unless Singapore begins to solve its other long-term productivity problem. The 75 per cent of the population which is Chinese is not reproducing itself. This means that in another 10 years or so, if present trends persist, Singapore will be ageing rapidly.

Whatever the possible political implications of such a demographic shift, it is the economic consequences during the next 20 years which will be of more immediate concern.

Already about 20 per cent of the Singapore workforce is from abroad and the government does not wish the proportion to increase much further. Hence Mr Lee's emphasis on the constant improvement in the skills of the indigenous labour force in order to attract the higher added-value manufacturing and service industries which will be vital if Singapore is to enjoy anything like the growth rates of the past two decades.

The pressure to achieve is therefore likely to intensify with even less official tolerance for forms of individualism which are interpreted as being alien to the pursuit of national objectives. Those from outside Singapore who wish Mr Lee would relax a bit should save their breathe. Singaporeans who share that view will have to wait until the next general election.

Alain Cass examines political trends

Changing nature of society

POLITICS in Singapore used to be a relatively straightforward affair. Lee Kuan Yew was in charge, the People's Action Party was unopposed in parliament and the Opposition, such as it was, floundered ineffectually against a government which was both enormously competent and ruthlessly intolerant. And so it seemed, *ad infinitum*.

To the naked eye and to those who regard Mr Lee's crabby paternalism as a small price to pay for the economic miracle he has wrought, not much appears to have changed. Mr Lee is still Prime Minister and very much in charge, the PAP captured 69 of the 70 contested seats in last September's parliamentary elections and the opposition is the first to admit that it does not remotely resemble an alternative government.

Only one of their number, Chiam See Tong of the Singapore Democratic Party, who was first elected in 1984, was elected to parliament on this occasion. Even Mr Lee's opponents, of whom the SDP and the Worker's Party are the only credible forces, say they would not change much in the unlikely event of being returned to power.

What they object to is not Mr Lee's policies so much as the tone and style with which these are implemented. In the circumstances one might ask "why bother with elections?" If all that was required to keep the PAP in power indefinitely, and Singapore's increasingly affluent citizens happy, was a good public relations outfit, why not something simpler and less contentious like an occasional referendum?

The problem for those within the ruling party who might be tempted to advocate such a course is that neither of these assumptions are true, even if they might have been, say, 15 years ago when Mr Lee enjoyed almost divine status and most Singaporeans gratefully gave him their unconditional support in return for a better standard of living.

Beneath its apparently unstoppable success, the nature of Singaporean society is changing and, with it, the political forces which will shape the country's future direction.

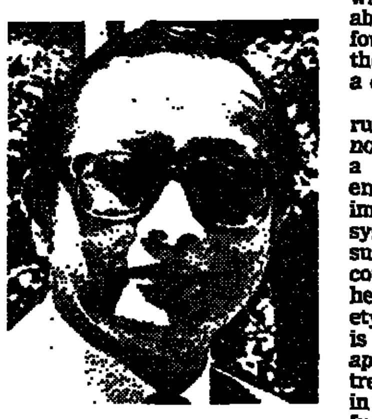
Relentless success has brought rising expectations. The country's post-independence generation, increasingly exposed to Western traditions of scepticism, is less inclined to accept the dictates of its elders. Modernisation has broken up traditional Chinese family patterns and the obedient values that accompany these.

Mr Lee, who embraces democracy in theory but finds it frustrating to live with in practice, has become a victim of his own success. That much has been clear for some time and results of the last two general elections – 1984 and 1988 – confirm this.

In 1984, when Mr Lee's government was wrestling with a number of controversial issues and the first signs of an economic downturn were appearing, the PAP's share of the vote fell by over 12 per cent to 62.9 per cent. Last September, with a booming economy and no big, specific issues for the opposition to exploit, that vote fell further to 61.8 per cent.

In the circumstances one might ask 'why bother with elections?' Why not go for something simpler and less contentious like an occasional referendum?

The only issue of broad interest which might have affected the vote was Mr Lee's plans to create an elected presidency (it was thought for himself) with wide powers of veto. In the event, and for reasons which may have less to do with electorate's response than with Mr Lee's doubts about the ability of his political heirs, he appears to have shelved the idea.



Mr Francis Seow

In eight seats, PAP's vote was below 55 per cent. In the country's largest constituency Mr Francis Seow, a former Solicitor-General, nearly pulled off a famous victory over the PAP candidate, despite being denied any coverage to speak of in the Government-controlled media.

Another sign that that the Chinese-dominated PAP's absolute grip on power may be loosening is that Singapore's disadvantaged Malays who comprise 15 per cent of the population, voted against the government in large numbers in constituencies where they live. Overall, Malay representation in parliament went up from 9 to 10.

In most democracies a majority of over 60 per cent (in Mr Lee's case and those of his second-echelon Ministers between 73 per cent and 81 per cent) would be a triumph. In Singapore, despite the governments efforts to portray the result as a ringing endorsement, it is deeply worrying.

There seems little doubt that the PAP's long run of 70 per cent-plus majorities is over and that Mr Lee's party may be faced with an entrenched opposition vote not far short of 40 per cent.

Two questions arise from this. The first is how the PAP intends to respond to this new situation and the second is whether the opposition will be able to exploit it over the next four years and, if it does, how the government would react to a credible alternative.

On the first question, the ruling party appears to speak if not with two voices then with a different emphasis at different levels. Mr Lee remains implacable that the two-party system is not coming (and presumably will not be allowed to come) to Singapore. "We are," he has said, "an Asian society", suggesting that pluralism is an alien concept to Asia. He apparently worries about the trend towards greater freedom in countries with similar Confucian traditions such as Taiwan and South Korea.

On another level, the men hand-picked and groomed by Mr Lee to take over appear more responsive to the frustrations of those in Singapore, especially among their own generation, who find the government's paternalism increasingly hard to stomach. To the apparent annoyance of Mr Lee, who has a disconcerting habit of criticising his younger colleagues in public, Mr Goh Chok Tong, first deputy Prime Minister and the man most likely to succeed him, assumes a more accommodating political style.

Mr Goh has actively encouraged public discussion of government policies, albeit in carefully controlled committees, suggesting a more relaxed style of government when he finally succeeds to the premiership.

Left to right: Brigadier-General Lee Hsien Loong, Mr Goh Chok Tong, Mr Lee Kuan Yew

Mr Lee's son, Brigadier-General Lee Hsien Loong, until recently a contender for the succession but who is likely to have to wait his turn, is even more forthright at least in what he says. "I don't believe we can stop the trend (away from the PAP)," he said in an interview. "Look at Western democracies where government by minority is an established fact. I hope we don't reach that position but a situation in which we have an overwhelming support in the 70s is not sustainable. How that situation evolves will depend on the younger voters."

Brigadier Lee has been put in charge of the PAP's new youth wing in an effort to recapture the lost ground and fashion a more sympathetic image for Singapore's younger voters, although he denies that image is the PAP's problem. "The problem is not becoming nice guys," he says, "or going to charm school. The problem is that the PAP has been in charge since 1959 and people are getting restless. They want some change, some movement."

Brigadier Lee says he does not rule out further major inroads into the PAP's support, although he says this would be a disaster. On the other hand, he does not believe that a one-party state is the answer. "Look at Burma. You have to rule by consensus, there is no other way."

Brigadier Lee's formula for retaining power is recruiting the best available talent for the PAP, listening more to people's grievances and addressing these and instilling the right values in young Singaporeans. The government, worried that the rush of Western influence on Singapore has eroded traditional Chinese values of obedience and respect for authority, wants to frame a national "ideology" to which voters can aspire.

It is hard to know what to make of all this. The government's actions is often at odds with its public concern with open government at least in the form expressed by its younger leaders. The Opposition is still dealt with in an arbitrary manner. Mr Seow who, although he failed to win a seat, may sit in parliament under a law which says that the Opposition can make up its parliamentary membership to three if fewer candidates than that are elected, has been the target of a sustained campaign by the government.

The former Solicitor-General, who attracted substantially larger crowds at his election rally than anything the PAP could manage, was held for 72 days under the country's sweeping Internal Security Act for allegedly conspiring with a US State Department official to recruit Opposition candidates. In December, he will stand trial on six charges of tax evasion and, if he is fined more that S$2,000 (£560), will be disqualified from taking his non-elected seat in parliament.

Meanwhile the government has delayed recalling the return of parliament which Mr Seow claims has been done solely to prevent him from taking his seat. "By intimidating me they put off others from coming forward," he says. "Their insecurities are very deep. Whatever they may say, the PAP has no intention of handing over or loosening its grip."

Singapore's first Opposition MP, Mr J B Jeyaratnam, who leads the Workers Party, was disqualified from parliament for five years in 1986 after being fined S$5,000 and jailed for a month for falsifying his party's accounts. All this suggests that the answer to the second question – will the Opposition be able to exploit the growing unpopularity of Mr Lee's style? – is almost certainly "No". Neither Mr Seow, nor Mr Jeyaratnam or the SDP have the necessary qualities to mount an effective challenge to the PAP. There are few signs that a younger generation of leaders is rising to the surface, or at at any rate, Singaporeans of the calibre of Mr Goh or Brigadier Lee. And, if it did, it would face the wrath of the PAP's formidable machine. None of this means that Mr Lee, who has ruled his 225-square mile domain with cunning and ferocity since he was 35, or his successors, will have an easy time of it.

Brigadier Lee's analysis of an increasingly restless population becoming ever more so as its expectations rise has the ring of truth. However, few believe that the PAP will relinquish power willingly. To the party and the government their continued dominance is a matter of nothing less than national survival. The dilemma facing Mr Lee's successors is how to hold on to power and ensure continued stability for Singapore while providing its population with enough of an outlet to feel that democracy is being exercised not just in theory but also in practice.

MANUFACTURING

New strategy is for higher quality goods

MANUFACTURING saved Singapore during its first recession for 20 years in 1985. Now the sector must change its emphasis to survive beyond the year 2000, given its dependence on the electronics sector, overseas markets and chronic labour shortage.

Excellence in manufacturing is the new strategy being promoted by the Economic Development Board. This could come in the form of a faster time to the market or better design to production process integration and better quality and service for the price. "Singapore cannot thrive and achieve its developed country goal by following a low-cost strategy," says the Board's chairman Philip Yeo. This is particularly the case when in competition with developing countries with large populations and substantial domestic markets. The alternative was product differentiation – resources were too limited simply to offer a cheap base for production.

Efforts are being made,

Resources were too limited simply to offer a cheap base for production

through continued investment and increased use of technology, to keep the infrastructure up to date and competitive. Designers in California can, for example, initiate an integrated circuit design and leave their Singapore counterparts to continue the computer-aided design task during the night, says Mr Yeo.

The manufacturing sector's growth in the first half of the year was an impressive 21.4 per cent, anchoring an 11.1 per cent growth in the economy. As a result, the Government has revised its overall growth forecast for this year from a conservative 5-6 per cent to 8-9 per cent.

The electronics sector was again the leading performer showing a 33.5 per cent increase in growth, lifting associated industries such as fabricated metal products. The construction industry sank 7.8 per cent, while financial and business services were limited to a 7.7 per cent increase.

Otherwise, it was glad tidings and double-digit growth for other sectors including paints, pharmaceuticals and other chemical products, electrical machinery, apparatus, appliances and supplies, commerce, and transport and communications.

Three-quarters of the 33,000 new jobs created were in the manufacturing sector. The electronics industry's output rose 28 per cent in 1987 against 28 per cent in 1986.

With global demand for computers, especially from the US and Europe, still buoyant, the sale of computer peripherals such as disk and tape drives soared. The level of performance may not be repeated in 1988, say industrialists, especially when the effects of the global market crash are felt.

However, productivity in the sector fell to 2.8 per cent against 4 per cent overall, and 3.5 per cent for the first half of 1987. Lee Hsien-Loong, Trade and Industry Minister, cautioned that the electronics industry's growth was too rapid to be sustained. The sector's success depended on access to technology and external markets, which meant foreign investments to provide transfer technology and markets.

Dr S Teshiba, from the Nomura Research Institute, said that 1988 would be crucial in determining the local economy's performance in the 1990s. "If Singapore does not pay attention to maintaining international competitiveness in the manufacturing sector, the economy as a whole could go through the shake-out as seen in 1985 [when the economy contracted 1.8 per cent]," he said.

The economy was changing direction to become more service-oriented, he said, but the service sector depended on other sectors, which caused his concern about manufacturing. He believed that competition on non-price factors, such as the quality and quantity of research and development and the sophistication of products, would provide a new basis for Singapore firms. "The major Singapore products now are price-competitive goods. In other words, the volume of production is essential to maintain competitiveness. Considering the size of the labour force, the Singapore economy faces physical constraints on producing more," he added.

Non-price competitiveness hinges largely on the quality of the workforce, which is determined by the quality of education and the emphasis put on values like professionalism and craftsmanship.

Manufacturers have been thinking along the same lines. A survey by the National University of Singapore revealed that there was more concern about standards and high materials costs than labour

Manufacturers must become more innovative and good marketeers

costs. Richard Hu, Finance Minister, reiterates the state's hopes: "We aspire to be a developed country by the turn of the century. Singapore will have to become a global city – a city of grace, beauty and culture, and yet a city of international business savvy. Singapore will offer to our customers the full range of business activities that will lend credibility to our role as a total business centre."

With the sea change, manufacturers must become more innovative and good marketeers. Dr Hu suggested that the Singapore Manufacturers Association should educate its members about new technology and trends, improve productivity and organise international marketing efforts. The new breed of managers would have cross-disciplinary skills, workers would be rewarded with higher wages and welfare benefits, and personnel managers would practise psychology, sociology and empathy.

Joyce Quek

SINGAPORE 3

Roger Matthews looks at the country's economic recovery

Growth more broadly based

THE PACE of the recovery in the Singapore economy from the 1985-6 recession has continued to surprise both private forecasters and the government. Although there may be some slight slackening off in the final quarter, real growth in the gross national product this year will edge into double figures, the best performance of the decade. Whereas last year's 8.8 per cent confirmed that the economy was again back on track, growth was still somewhat patchy. This year, however, it is more broadly based with construction the only sector still languishing.

The speed with which Singapore has bounced back reflects both the pragmatism and flexibility of the country's economic managers and the improvement in regional and world trading conditions. Singapore dropped into the trough in 1985, rather later than comparable Asian countries and it sank rather deeper. As a result it has recovered rather behind the others but then accelerated with greater vigour because it had more unused capacity with which to exploit the increased demand from its main OECD markets.

Singapore has also been assisted by the improved performance of its immediate neighbours. Malaysia, for example, has grown significantly faster this year than had been anticipated, in large part due to a surge in commodity prices. Thailand is also still growing strongly but depressed oil prices have checked Indonesia's progress. Singapore was also well positioned to take advantage of the growth in demand, particularly from North America, for its higher technology products such as telecommunications equipment and computer software. Exports have again soared this year with sales to the US, its largest trading partner, likely to grow by close to 30 per cent in value during 1988. The ability of Singapore to take swift advantage of technological change has never been better illustrated than the statistic which shows computer disk drives now forming 10 per cent of the country's total manufactured exports.

Invisibles have been doing almost as well. Tourist arrivals have continued to climb even though the average length of stay remains obstinately low. Some hotels have stopped offering discounts as occupancy levels topped 80 per cent (69 per cent last year) and officials began voicing concerns about a shortage of rooms in the early 1990s.

The same trend is evident at the highly profitable Singapore Airlines where the difficulty in negotiating additional flights to some of its most popular destinations has emerged as the most intractable obstacle to future growth. The Port of Singapore, which is not involved in reciprocal arrangements and therefore does not suffer the same capacity restraints, has seen the volume of cargoes increase by over 20 per cent in the first six months of the year.

Improved invisibles earnings from these principal sources together with net capital inflows should more than offset a larger trade deficit this year which is likely to edge up to about US$5bn from 1987's $4.2bn. A further widening of the trade deficit is anticipated next year, but again this is unlikely to stop Singapore adding to its already substantial foreign exchange reserves of around $17bn.

With unemployment having fallen to under 3 per cent, Dr Richard Hu, the Minister of Finance, deeming it prudent to increase the foreign workers' levy payable by employers and, with competition increasing for skilled staff particularly in the electrical and electronics sectors, it was clear that the upward pressure on wages was going to intensify.

This the government has largely been able to contain, partly through the discipline inherent in the extremely close relationship between the National Trade Union Congress and the ruling People's Action Party, but also by laying greater emphasis on bonus schemes and the introduction of a flexible wages system tied to productivity and profitability. However, it seems probable that wages will rise overall by 7-8 per cent in real terms this year.

The increase in productivity may be less than half this figure and although it does not indicate any immediate reduction in Singapore's international competitiveness, it is a trend which the government is watching very closely. Productivity growth is also notably smaller in the manufacturing sector (3.5 per cent last year), compared with financial and business services (7.6 per cent), transport and communications (6.5 per cent) and commerce (6.2 per cent).

With the recovery having created an additional 66,000 jobs last year and probably a further 35,000 in the first half of 1988, the problems of fulfilling demand with a total workforce of about 1.1m are obvious. By the end of last year unemployment had dropped to 2.8 per cent, the majority of whom are thought to be older workers with few skills.

It is therefore likely that 60-70 per cent of the new jobs created this year will have gone to expatriate workers, a trend the government has felt powerless to prevent but which it is anxious to check. The retirement age has already been lifted from 55 to 60 in some industries and efforts are being made to persuade more women to return to work after having children. But this can only ease the problem slightly.

Taken together with a rapidly ageing population profile, Singapore's labour constraints can only be eased through more capital-intensive industry, greater sophistication in services, and by investing yet more heavily in education and re-training, assuming of course that the government has for political and cultural reasons set a ceiling on the proportion of foreign workers it will allow into the country.

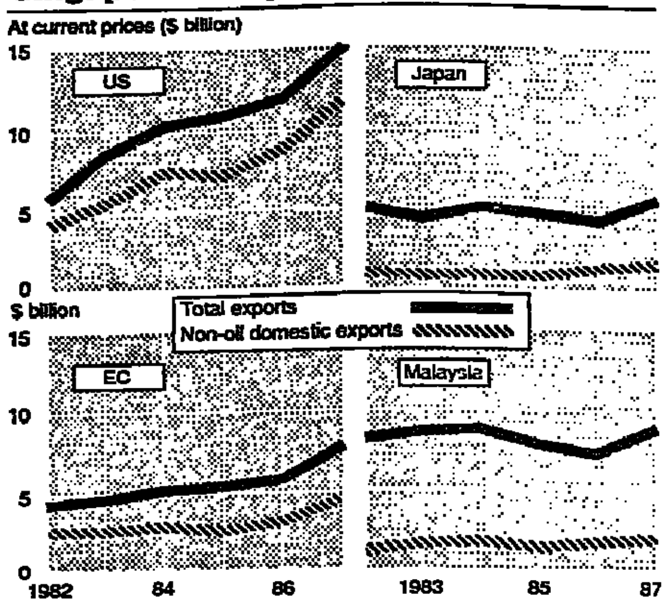
Some multinational companies have already seen the inevitability of transferring out of the country their more labour-intensive operations, although there is less evidence that enough of them are contemplating bringing in the research and development activities which the government wishes to attract.

The immediate labour pressures should ease somewhat next year, with most forecasts estimating that the economy will grow by 5-6 per cent in response to lower external demand, particularly from the US.

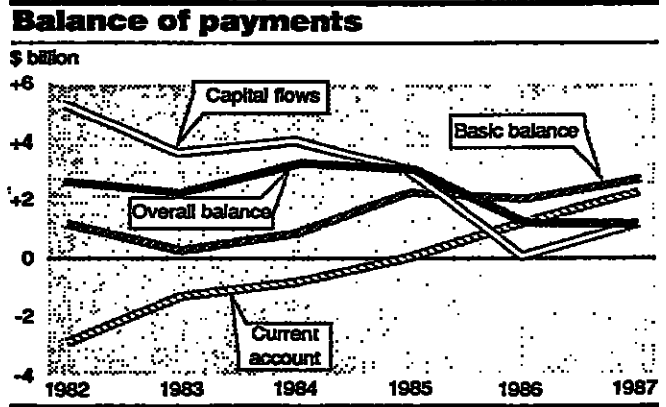
While the election of Mr George Bush may have helped to curb the worst protectionist fears, Singapore remains acutely sensitive to changes in international trading patterns and therefore the consequences of a more determined effort by Washington to address the issue of its twin deficits. It is also far from convinced that the creation of a single European market in 1992 will be of benefit to the newly-industrialising countries of Asia.

Although Singapore's exports to Japan rose by 30 per cent last year, much of the increase was accounted for by oil and the total remains little more than one third of its sale to the US. A substantial increase in regional trade in the next 10 years must be one of Singapore's best hopes for sustaining its impressive growth record.

Singapore's major export markets



Balance of payments



Alain Cass on foreign workers

A vigorous procreation campaign is under way

Limit set at a quarter

ANYONE looking for reasons which might explain Singapore's sense of vulnerability need look no further than the Republic's labour shortage.

Most booming economies in East Asia have a large enough workforce to absorb as much growth as they can generate. Some, like Taiwan and South Korea, export their labour.

Singapore, on the other hand, exports its jobs in good times, sucking in foreign workers in their tens of thousands. When the economy contracts, it exports its unemployment, sending the same workers home in short order.

In 1985, as the world economic recession hit Singapore, over 50,000 foreign workers out of a total workforce of 1.2 million were sent home. It was a useful buffer which the government used skilfully to cushion its own population from the effects of the recession and the consequences of some of its own over-optimistic economic policies.

As the economy recovered in 1987, the process was put into fast reverse. Foreign workers from other Asian countries as far apart as India and South Korea were drafted in to fill semi-skilled and skilled jobs in shipbuilding, construction and factories which an increasingly affluent Singaporean society considers beneath it.

As the policy of channelling investment into high technology, first introduced in the early 1980s as a way of giving Singapore an edge over its neighbours, bore fruit this proved insufficient.

The rapid growth in foreign investment over the past two years in electronics and electrical goods, especially from Japan which became Singapore's largest foreign investor in 1988, has significantly increased the demand for labour.

The precise number of foreign workers in Singapore is a closely-guarded secret by a government which is painfully conscious of the country's size and its delicate racial balance. The government will only say that it will not allow the number of foreign workers to grow beyond 25 per cent of the total workforce.

The implication is that there is still some room for growth but not as much as there has been in the past 20 years. The government has watched with alarm as population growth has slowed to a virtual standstill and is engaged in a vigorous campaign to encourage Singapore to procreate with patriotic enthusiasm.

Uncomfortable parallels are drawn with West Germany which has not only imported foreign labour in vast numbers but also the social problems which tend to follow in their wake.

Singapore is determined not to make the same mistake. Foreign workers and their conditions of employment are controlled with Confucian vigour. Once the job is finished they are packed off home.

The problem, as one diplomat pointed out, is that in a country where competitivness is a national creed, the conflict between growth and social balance will always be there.

The cycle of rapid growth, sudden recession and more rapid growth, has also had a decisive impact on the government's traditionally rigid pay policy.

During the 1970s and 1980s, partly to encourage high technology and partly to encourage overall growth, the government made annual recommendations which both public and private sectors tended to follow when making wage settlements.

These were not aimed at keeping wages down but driving them up since collective bargaining tends to be a tame affair. Singapore's trade unions, far from being combative, have what they call a "symbiotic" relationship with the government. The last strike in Singapore took place in January 1986 and it was the first in seven years. The National Traders Union Congress, the Secretary General of which is also a deputy Prime Minister, was the first to argue for across-the-board wage cuts in the recession of 1985-86.

The high wages policy came unstuck, however, when employers found themselves squeezed by the recession. Instead of being able to respond flexibly by adjusting wage settlements to profits, many simply went to the wall. Despite the cushion of foreign workers, unemployment, virtually non-existent in Western terms, soared to 6.5 per cent.

This year, for the first time, the government has abandoned national pay guidelines and is encouraging performance related pay awards by companies: It also wants companies to reduce 2 or 3 year wage settlements with workers, to standard 12 month agreements, just in case.

The exercise is not an academic one. It presupposes a stormy future. Mr Ong Teng Cheong, the NTUC's boss and Deputy Prime Minister, put it this way: "We must press on seriously with wage reform so that when the next recession comes, the trauma of retrenchments and unemployment can be cushioned or reduced."

The new policy, combined with severe labour shortages, especially in the banking sector, has driven some wage settlement to dangerous levels.

The Hongkong and Shanghai Bank provoked an uproar in the rest of the industry by offering its workers an increase of 33 per cent in an effort to attract administrative staff.

Singapore's belated conversion to market forces in the one area of the economy which it previously controlled rigorously, will undoubtedly cause it problems, inflation being the most obvious. However, the government hopes that, in time, the new policy will attract the kind of labour which Singapore needs to maintain its competitive edge in a region where economic success is, becoming the rule rather than the exception.

FOREIGN EXCHANGE

The number two slot

AFTER A disappointing first half, forex traders based in Singapore have justification for optimism. Volatility can do wonders and their astute reading of fluctuating currency movements has helped the city supplant Hong Kong as Asia-Pacific's second most active foreign exchange dealing centre.

Tokyo is number one with US$100bn in daily turnover against Singapore's $45bn. Hong Kong follows with $30bn while Sydney's turnover is $27bn-$30bn.

A big gap opened up in the respective daily turnovers of Singapore and Hong Kong a year ago. This has been attributed partly to the increasing currency transactions of Singapore's central bank. A brain drain from Hong Kong of 50 mostly-experienced dealers over the past few years had also hurt.

Forex activities in Singapore are actively supported by the Monetary Authority of Singapore (MAS) and the Foreign Exchange Money Market Committee (FOMMC) formed in 1986 to develop and enhance the local market as a financial centre for risk management. The MAS started the ball rolling in 1982 with some huge dollar/third currency deals which pushed the year's trading to over $8bn, attracted the attention of New York and London-based banks and edged the city ahead of Hong Kong.

The average 1987 trading volume of $36bn, compared with $22bn in 1986 and $12.5bn in 1985. The 1987 peak volume was $40bn reached in October but that was beaten by $53.4bn last July.

The turnaround came in June after a dull first quarter and lacklustre April-May. Once known more as a deposit centre, Singapore's forex dealing gained momentum when institutions hit by the recession and losses in consumer banking and corporate finance activities turned to dealing to generate income.

One dealer attributed renewed interest in the currency market to people who had burnt their fingers last October and now wanted to take positions at any time as the rates were monitored around the clock, unlike stock markets.

The deals are more cross-border than intra-bank, a situation the FOMMC is trying to alter, to allow more trades when international financial centres have holidays. With an eye towards those fleeing Hong Kong, it has, together with the MAS, introduced an "accelerated citizenship" scheme granting citizenship over a shorter period of time to dealers recruited abroad.

The gap between the top and also-runs among Singapore's 1,200 dealers is wide. An MAS survey disclosed that the top 20 among 108 banks earned over $10m each, and 31 per cent of the total $650m treasury profits, while a third banked in less than $1m.

Among the top 10 banks contributing over 50 per cent of the market volume are Citibank, Morgan Guaranty Trust, UBS and Bankers Trust. Union Bank of Switzerland's zoom to the top ranks in forex trading in three years has been nothing short of phenomenal.

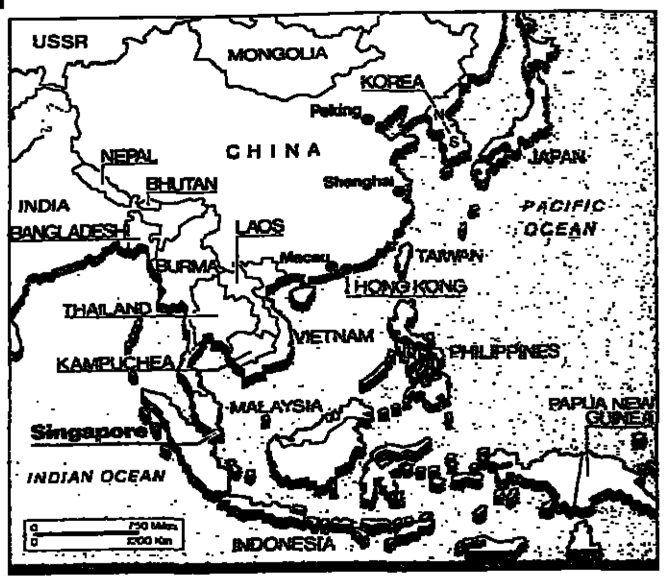
The FOMMC, controlled mostly by the representatives of foreign banks, believed that future business should come from commercial banks and corporate clients. At present, only one of the so-called big four local commercial banks is active in forex trading. But a massive education programme is called for. Fortune really favours the bold.

Morgan Guaranty Trust has proved that there is nothing wrong with being a one-trick pony, eschewing corporate finance and loans in favour of risk management following J P Morgan's lead into an investment bank selling securities, trading and corporate advice. It earned more than $10m profits, all from treasury operation, more than half of which from forex trading of $3bn daily. Citicorp is rated the top dealing bank trading $4bn-$5bn daily with a 10-15 per cent market-share. It is believed there is nothing to prevent them doing $10bn daily.

Joyce Quek

FOREIGN POLICY

Perception of vulnerability



SINGAPORE has traditionally avoided playing the "Yankee go home" game. This is not surprising. The US is Singapore's biggest trading partner. Last year, 31 per cent of inward foreign investment came from the US while 52 per cent of Singapore's exports to America came from US companies operating out of the city state.

This year, however, Singapore discovered the ugly American. It threw up its hands in horror and then threw him out of the country.

The focus of this improbable quarrel was Mr Mason "Hank" Hendrickson, First Secretary at the US Embassy in Singapore. Mr Hendrickson was accused of encouraging local lawyers to run against the ruling People's Action Party in September's general election which, in the event, saw a further erosion of its popular support.

"Black operator Hank" trumpeted the Republic's obedient newspapers. The US retaliated by expelling the Singaporean diplomat from Washington and both sides withdrew to assess the damage.

The US State Department, apparently shocked by the force of Singapore's reaction, vigorously denied Mr Hendrickson was doing anything other than fulfilling his diplomatic duties by keeping tabs on politics in Singapore.

Singapore maintains that it was the target of an unacceptable piece of interference although suggestions that the Central Intelligence Agency was behind a plot to ferment opposition to the PAP is not supported by hard evidence.

Whatever the facts, the passage of time has obscured them and these are arguably less interesting than the country's motives for responding as it did to Mr Hendrickson's activities.

Other diplomats in Singapore point out that Mr Lee Kuan Yew, the Prime Minister, had the choice of following the practice between friendly countries in such cases and called in the US ambassador for a discreet carpeting. Mr Hendrickson could have been asked to go quietly.

Government officials say Mr Lee had no choice because the affair came to light in public testimony by Mr Patrick Seong, a lawyer arrested under the Internal Security Act which allows for indefinite imprisonment without trial. "We had to react publicly," said one official.

Not necessarily say the sceptical. Singapore must have known the contents of Mr Seong's testimony before he took the stand and since it does not prove much beyond the fact that he and Mr Hendrickson met on three occasions, the Government could have handled the matter differently. The answer may lie in a combination of two factors which frequently underlie Singaporean actions when the Government's will is challenged.

The concern is that instability in Malaysia, for example, might spill over into Singapore

The first of these is to resort to what one Western diplomat called "the myth of vulnerability". This rests on the premise that tiny Singapore must always be alert to the possibility of subversion and that the price of success and survival is eternal vigilance.

The second factor is that the astute Mr Lee simply saw an opportunity of making political capital in an election year and seized it with both hands.

Whether the second of these premises is true can only be surmised. What is beyond question is that the Singapore Government's perception of its vulnerability plays a major role in shaping the country's broader foreign policy.

Viewed over the last 23 years since Singapore gained full independence, that vulnerability has been heightened by many political tremors beyond its control – the communist victories in Indochina, the confrontation between Malaysia and Indonesia, Peking's support for local insurgents and, more recently, the Vietnamese invasion of Kampuchea in 1979.

A more recent tour of Singapore's horizons from its watchtower at the hub of south east Asia suggests a more benign environment, principally as a result of more pragmatic and flexible policies in Peking and Moscow and growing signs of a rapprochement between the two.

Both communist superpowers need resources for domestic economic development. Both have an incentive to defuse tension in the area and resolve long-standing quarrels by encouraging protégés such as Vietnam and the Kampuchean resistance to reach a settlement. Singapore is working hard through its membership of Asean – the Association of South-East Asian Nations – to encourage such a settlement. Because of its size, Singapore sees its membership of Asean as a vital conduit for influencing events in the area through diplomatic skill and force of argument.

Singapore wants a neutral government in Kampuchea, one which allows neither Vietnam nor the Khmer Rouge to dominate the country. It believes that a settlement may be within reach because both Moscow and Peking seem to want one.

Mr Mikhail Gorbachev's policies since his Asian peace initiatives launched at Vladivostock have had a marked impact on the region. Singapore has been impressed by the new Soviet leader's reasoned approach but it still takes a more sceptical view of his intentions than some in the area. It is particularly worried by the Soviet proposal that the US should withdraw from its two biggest overseas military bases at Clark and Subic in the Philippines in return for a Russian withdrawal from military facilities in Vietnam. One senior official put it this way: "Even without doubting Mr Gorbachev's sincerity, an American withdrawal from the Philippines might be irreversible and probably would be. But a Soviet retrenchment in the region might not be."

In the meantime, Singapore would like to see a growing political role for Japan in the region to match Tokyo's enormous economic power. It regards Japan's offer to finance the peacekeeping force in Kampuchea as an important step in this direction. If there is a concern in the minds of Singaporean officials it may be more to do with stability among its immediate neighbours such as Malaysia, the Philippines and Indonesia.

The concern is that instability, say, in Malaysia might spill over into Singapore where 15 per cent of the population are Malays and very much at the bottom of the economic and social ladder. When President Ferdinand Marcos finally left the Philippines for exile in the US, Mr Lee could hardly contain his joy. One suspects that this may have had less to do with President Marcos's authoritarian role coming to an end and the return of democracy than the close of a long chapter of instability the repercussions of which were beginning to be felt elsewhere in the region.

Alain Cass

GUIDE FOR THE BUSINESS TRAVELLER

Time: GMT + 8 hrs

Climate: Tropical, with abundant rainfall throughout the year and a monsoon season in Nov-Jan. The wettest season is Oct-Mar. Humidity is high, and temperatures vary little from season to season, ranging from an average maximum of 31°C by day to 25°C by night.

Visa requirements: Not required by Commonwealth citizens and nationals of certain other countries (Eire, Liechtenstein, Monaco, Netherlands, San Marina and Switzerland), nor by passport holders of most other nations for stays of up to 14 days. Entry may be refused to male visitors whose hair reaches below the collar or extends over the ears or eyebrows.

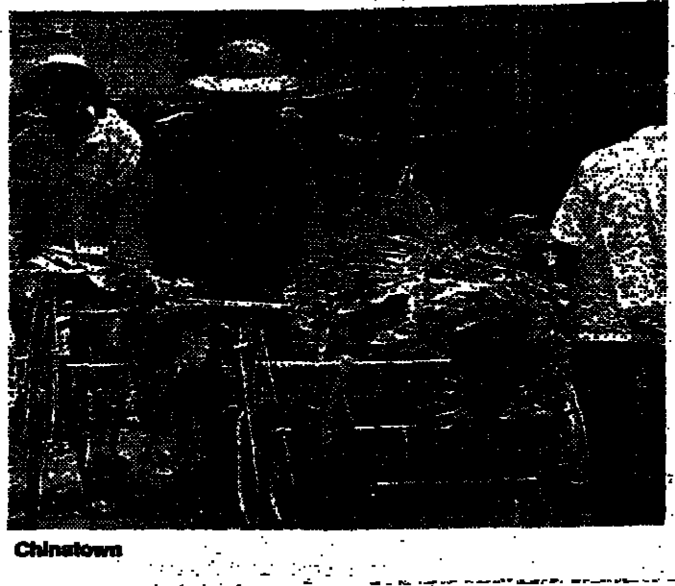
Health: Vaccination certificates required for yellow fever or cholera if travelling from an infected area.

Car hire: An international driving licence is required for car hire. Driving is on the left-hand side of the road.

Roads: Vehicular access to the Central Business District is restricted and there are charges for vehicles entering the area at certain times.

Public holidays: Because of its multi-ethnic composition, Singapore celebrates a wide range of world religious festivals and holidays in addition to the public holidays listed here. Many festivals are based on a lunar calendar, while the dates of some are only finalised at the last minute. Check with the Singapore Tourist Promotion Board for exact dates and locations affected. When a holiday falls on a Sun, the following Mon is a public holiday.
Fixed dates: 1 Jan, 1 May, 9 Aug (National day), 25 Dec
Variable dates: Chinese New Year, Good Friday, Vesak Day, Hari Raya Puasa (Eid al-Fitr), Hari Raya Haji (Eid al-Adha), Deepavali. Actual dates of Muslim festivals may vary.
During the Chinese New Year, many Chinese firms close for an entire week.

Social customs: Smoking is prohibited in many public places, including taxis, public transport, lifts, cinemas, theatres and government offices, with fines imposed on offenders. There are also fines for jaywalking and littering, and the use of narcotic drugs is strictly prohibited. Lond hair is regarded unfavourable, and male visitors are advised to have their hair cut if it reaches below the top of the shirt collar. Tipping is discouraged.



Chinatown

Little India

Business information:
American Business Council, 10-12 Shaw House, 354 Orchard Road, 0923 (tel: 235-0077; tx: RS 50296).
British Businessmen's Association, 3rd Floor, Inchcape House, 450-452 Alexandra Road, 0511 (tel: 475-4192; tx: RS 21400).
Singapore Chinese Chamber of Commerce Foundation, 47 Hill Street, 0617 (tel: 337-8381; tx:33714).
Singapore Department of Trade, Suite 201, 2nd floor, World Trade Centre, Telok Blangah Road (tel: 271-9388; tx: RS 28617).
Singapore Economic Development Board (EDB), 10-40, 1 Maritime Square, World Trade Centre (Lobby D), Telok Blangah Road, 0409 (tel: 271-0844; tx: 26233; cable: INDUSPROMO).
Singapore Federation of Chambers of Commerce and Industry, 03-01 Chinese Chamber of Commerce Building, Hill Street, 0617 (tel: 338-9761; tx: 26228).
Trade Development Board, 1 Maritime Square 03-01, World Trade Centre, Telok Blangah Road, 0409 (tel: 271-9388; tx: 28617/170 TRADEV RS).

Banking: Monetary Authority of Singapore, 10 Shenton Way, 0207 (tel: 225-5577; tx: 21382 ORCHID RS; cable: MONETARY).

Information provided by World of Information, 21 Gold Street, Saffron Walden, Essex CB10 1EJ, United Kingdom

Raffles Hotel

EQUITIES

Resuscitating volume

THE FIRST anniversary of Black Monday passed without incident last month, but the current state of Singapore's Stock Exchange suggest that the after-shocks have not been fully shaken off.

There is much to commend investing in the local market – strong fundamentals, a crash-tested market – but evidence of sustained investor support is lacking.

A lot has been done after the crash to resuscitate volume but, clearly, more is needed. Solid fundamentals did not prevent the stock index falling 53 per cent from its 1987 peak of 1505.40 last year. Worse still, shrinking volume served to topple the city as the fourth most active Asian bourse.

A first-half 11 per cent gross domestic product growth that surprised analysts, stable political conditions, rising commodity prices, improving neighbouring economies, a stock market surge to 1,177.68 and daily trading volumes of up to 70m shares – all had little lasting effect.

Excepting Tokyo, Singapore is no different from any open market which has yet to regain its pre-crash peak. But whereas, within the region, the Kuala Lumpur bourse last month was only 12.4 per cent below its pre-crash high, Hong Kong, Singapore and Australia, the worst-hit victims, are still a third below.

Australia managed to retain its second spot among Asia's most active bourses but Hong Kong (number 3) and Singapore were edged out by the restricted exchanges of Taipei (until the re-introduction of a capital gains tax) and Seoul respectively. The newcomers, emerging unscathed from the crash, continued enjoying roaring trades. Singapore's market index languished around the 1020s.

"I guess it is inevitable that Singapore will reflect its small size. They are, after all, bigger markets than ours," explained Quek Peck Lim, head of research at Morgan Grenfell Asian Partners Securities.

The stock exchange reported a record 5.1bn shares worth S$17.8bn (£5bn) traded for the year to 30 June 1988 against 7.5bn units worth S$16.5bn previously. A calendar year comparison proved more telling. In 1987, S$32bn worth of share were traded. There are forecasts of a mere S$12bn for 1988, a not inconceivable figure as daily volume dips below 15m units.

Where the investment comes from is the key element. All major markets depend on domestic savings to provide price momentum. Singapore's mandatory savings scheme, the Central Provident Fund, allows account holders to buy certain Singapore-based counters – 52,449 invested S$917m in equities up to December 1987 and an additional 5,300 bought S$123m for the next seven months to July.

To put this in perspective, there were S$2.3bn worth of issues for 1987 and S$1.4bn for the first eight months of the year. The bulk of the funds would have to come from investors' savings and, more importantly, from overseas investors. But that is not enough – state policy is just a start.

The Stock Exchange has taken steps to internationalise the market. A link-up with the Luxembourg Stock Exchange opens vistas to Europe

Malaysia and Thailand have clearly stated their objective to develop their local markets through trying all means to broaden and deepen them. Markets need players, liquidity and information. To Singapore, one of the fastest means of acquiring them would be via joint ventures with foreign firms with the money, marketing and muscle.

Tan Chok Kian, Chairman of the Stock Exchange, was all too aware that the broking community could not rely solely on local investors to build up the stock market. He thus exhorted broking firms to double their marketing efforts. The seven foreign firms were urged to take the lead since they were only allowed in to expand the industry by introducing foreign business and raising standards of marketing, research and client servicing.

The exchange has again invited reputable foreign stockbrokers with a presence in major financial markets to take up to 49 per cent of a local broker with the ceiling raised to 70 per cent on a case-by-case basis after three years.

The applicants are the US-based John Hancock Financial Services, Sun Hung Kai Securities in Hong Kong, and Barclays de Zoete Wedd and Vickers da Costa, both of London. Surprisingly, British broker James Capel only requested a 30 per cent stake in Kay Hian. No Continental Europeans or Japanese applied.

The Stock Exchange has taken steps to internationalise the market. A link-up with the Luxembourg Stock Exchange opens vistas to Europe. After the initial trading spurt, a lack of market makers, lower-priced stocks, information and competitive spreads killed interest. Another way in which the exchange could further stimulate demand would be to reintroduce the delayed settlement basis of payment. Computerised trading was also introduced with the inevitable hitches initially fouling up proceedings.

On the operational level, new brokerages have been aggressively recruiting staff. Intense bidding for the services of a small base of dealers and analysts will inevitably increase the cost of operations and put a squeeze on profit margins. It will be a matter of time before negotiated commissions are a way of life – another squeeze on profits.

A crucial point is the limit to which a firm can play. Under the securities law, a broking firm is limited by the size of its capital. Even brokerages capitalised at around S$10m could find themselves excluded from the deals that international fund managers are used to. The logical alternative would be to raise the share capital but local partners may find 51 per cent of a S$10m-S$20m increase onerous.

The state has not kept secret its preference for a smaller number of strong institutions. Finance companies, banks and insurance companies have gone that route – would broking firms be exempted? That line of thinking could see the smaller of the 24 brokerages selling out to or entering joint ventures with reputable and financially sound buyers.

For 1989, how the Singapore market performs depends much on the economy pegged to earnings expectations, the performance of the Tokyo and New York exchanges as well as events closer to home. Hugh Peyman of Merrill Lynch Capital Markets has forecast the Straits Times Industrial Index at between 880 to 1000 to start the year off but ending at 1300. If nothing else, after the gloom should come the silver lining of vibrant broking firms capable of holding their own in the increasingly important Asia-Pacific zone.

Joyce Quek

OPERATIONAL HEADQUARTERS

Bait of tax breaks

SINGAPORE has taken the regional headquarters concept one step further with the "operational headquarters" or OHQ.

Rich and famous corporations have been lured to Singapore and local companies have benefited, too.

The Economic Development Board, the agency responsible for garnering overseas investments, is promoting Singapore as a total business centre and wooing multinational corporations to site regional headquarters in the city to service their regional network of companies.

This concept has been tried before in other countries but few have offered the bait of tax breaks which lower corporate taxes from the normal 33 per cent to 10 per cent on Singapore-derived income and tax relief on foreign-source income for services. Thus dividends from subsidiaries actively managed and controlled by the OHQ qualify as well.

To date, Deutsche Bank, West Germany's largest bank, has relocated its entire Asia-Pacific office and training centre from Hamburg to Singapore. Among the 16 firms conferred OHQ status are Japan's Sony and Fujikura, ANZ Bank, US-based Polysar and Foxboro.

The OHQ status has also been awarded to two local companies – Times Publishing Berhad, a publishing conglomerate the overseas operations of which outweigh local activities, and the Pico Group, which has contracts to build exhibition stands around the world.

The OHQ policy is selective. To qualify, a company must establish a regional headquarters, distribution base, manufacturing base, technical service centre, gateway to south east Asia and China, product development centre, training and education centre or a market base for information gathering or exchange.

Multi-national corporations were important because foreign direct investment was and is an important source of Singapore's economic growth. Lee Hsien Loong, Trade and Industry Minister, says: "They had the expertise to produce high-quality goods, the international network to market them and the financial muscle to make the large capital investments necessary.

"They did not have to rely on the domestic market for external financing. Many were large enough to commit sizeable start-up capital from internally-generated funds, or if they did require external financing, obtained it without much difficulty from international financial markets."

Also in 1986, when the OHQ concept was introduced, Singapore was already home to about 600 multi-national corporations – the largest for any city in the world.

Singapore's biggest asset and liability is its people. It has no other natural assets to speak of. Prosperity, in large part, depends on the Asia-Pacific region's growth. To ensure its workforce is an asset, productivity must be high, so it concentrated on the finance and manufacturing sectors which offered scope for upgrading skills.

Like many developing nations, it started out with labour-intensive industries. But attempts for a swift transition to higher wages within three years led to its first recession in two decades in 1985. The cost of doing business and of wages in particular in Singapore was out of synch with regional rival's scales. The anomalies have since been corrected but the chronic labour shortage persists for the electronics industry as well as for technical, clerical and administrative jobs. So the business emphasis was changed towards becoming a strategic node in the global business.

Singapore's infrastructure equals those of the more industrialised countries. Political and financial stability and conducive, competitive business environment can be used by the multi-national to supplement those of the Asia-Pacific region. Prime minister Lee Kuan Yew suggested that the labour-intensive parts of a product could be done in neighbouring countries, tapping their bigger and cheaper labour pool, and exported to Singapore for the more capital- or skill-intensive work.

The OHQ concept was endorsed by Mitsubishi Research Institute (MRI) for Japanese multi-nationals. It agreed with the Prime Minister that: "The republic should not be used as a base for the production of unsophisticated goods in future ... But for the production of high-technology or value-added goods, or as a regional headquarters for the operations of Japanese companies in south east Asia. Setting up a training centre here would eliminate language problems while saving on local staff staying in Japan for up to five months."

The MRI also suggested that company headquarters in Singapore could handle regional operations and remain complementary to their Japanese head offices, while regional offices could frame marketing and export policies and support operations in Thailand and Malaysia.

Any successful new idea is bound to be copied. For the OHQ concept, Singapore has less to fear from Thailand, according to a Japanese executive, which, though attractive to investments because of its cheap labour, still lacks sufficiently strong infrastructure. Hong Kong also suffers the problems of a brain drain, political uncertainty after 1997 and high rents.

Political and economic stability are still prime considerations along with wage costs in the selection of bases, and with Singapore's workers being rated the world's best for the seventh year, the OHQ concept appears to be a winning formula.

Joyce Quek

LEGAL COLUMN

Firms show interest in multinational groups

By David Churchill

NEXT July is likely to see the real start of the UK legal profession's drive into continental Europe in a big way.

European Community regulations then coming into force will create new multinational groupings, called European Economic Interest Groups (EEIG), as part of the drive towards a single European market in 1992.

Already some leading law firms are understood to be holding detailed negotiations with their counterparts throughout the EC with a view to forming such groups.

They will enable partnerships of law firms to be created in all but name since European legal associations at present do not allow international partnerships to be formed.

The exact purpose of EC regulation 2137/85 is to "facilitate or develop the economic activities of its members and to improve or increase the results of those activities." However, what keeps the EEIG from being a full partnership agreement in its own right is the clarification that says its aim should not be to make profits for itself but for members of the EEIG.

While many partnerships throughout Europe are actively considering the potential of forming an EEIG, five firms throughout Europe have already set up the first one (or as near as it can be until the law takes effect from next July).

Firms from France, Spain, Italy, Belgium, and Britain have come together to form an EEIG under the name of Pannone DeBacker.

'We have been working together with our European partners for a long time'

Manchester-based Pannone Blackburn explained that the new venture would effectively operate as one practice with five departments in Europe. The firm said: "We think it makes more sense to have local firms in the arrangement rather than follow the traditional British approach of setting up local offices."

"We have been working together with our European partners for a long time and know them very well already, so it is a coming together of like minds rather than taking a risk with untried partners." Even so, negotiations between the five took a year before the final agreement was drawn up.

Apart from Pannone Blackburn, the other members are DeBacker Godfrey Tanghe of Brussels, Chaney Baudoin Connor of Paris, Sperafico Marsaglia of Milan, Jausaf y Pinto of Barcelona and Miguel Angel of Madrid.

Some firms, however, are taking a different route. Frere Cholmeley, one of the UK's leading commercial law firms, has set up an Anglo-German group — a multi-disciplinary team from the firm's company, commercial and litigation departments in London, Paris, and Monaco. It will be headed by Dr Michael Carl, who is qualified in both English and German law and has been admitted to the courts of both countries. The group will offer a bilingual service on all aspects of Anglo-German law and its impact on the EC.

He said: "West Germany is second only to the US as Britain's most important trading partner and we anticipate increasing growth as 1992 approaches."

Boodle Hatfield last week also recruited Antonio Irastorza, who was admitted to the Madrid Bar in 1985 and qualified as an English solicitor in 1987, to help develop its UK/Spanish services.

EEIGs, of course, would become largely superfluous if all the European legal associations agreed to allow partnerships to be set up as well as accepting legal qualifications.

Mr Francis Maude, the corporate affairs minister at the Department of Trade and Industry, recently pointed out that "if you wanted to be able to practise law in a fully-qualified capacity in every member state, you would have to train for over 50 years – so you would be drawing your pension before you had embarked on your career!"

However, he told his audience of lawyers that all was not lost. He said: "The directive of mutual recognition of higher education diplomas will greatly facilitate freedom of movement for professionals in the EC, by making their qualifications acceptable in any member state."

Mr Maude added: "The Government strongly supports this directive." It offered the professions the challenge of increased competition in the host state and, in other member states, the opportunity to compete on equal terms with nationals."

******

THE TRADITIONAL sole right of solicitors to brief barristers is under threat from the Bar Council. From next year it is likely that members of other professions will have the right of direct access to barristers.

A committee, drawn from members of the various specialist associations within the Bar and its professional standards committee, will lay down the criteria on which the Bar Council will give its approval to professions seeking direct access.

These criteria will be decided "as soon as possible" but are expected to be in place by the beginning of next January.

This committee will then sift all applications from members of other recognised professional bodies. It will also be asked to resolve any problems arising in connection with a particular application or as a result of the experiences of individual barristers advising those granted direct access.

'Another practical step towards offering the most efficient and cost effective service'

Robert Johnson, QC, chairman of the Bar, described the move as "another practical step towards offering the public the most efficient and cost effective service."

He added: "While we must consider carefully what parameters to apply, there is no good reason for denying direct access to other professional men and women in cases where they are capable of preparing the details of the matter. These changes will make briefing counsel both quicker and cheaper for our lay clients."

*****

THE SUGGESTION in a recent column about the poor way that women in the legal profession are treated clearly touched a raw nerve. Comments from women solicitors who feel the profession treats them as second-class citizens were most common, although some (albeit male) correspondents believed that the greater intake of women into the profession would inevitably see them getting a better deal in the years ahead.

Anna Turnbull-Walker, a partner in the Gravesend firm of Hatten Wyatt, emphasises that she works on a flexible basis rather than part time. "I fail to accept that it is impossible to re-educate clients not to expect lawyers to be available for 24 hours a day, seven days a week," she says. "It is not expected of other professions."

"I run the criminal department in my firm, which is a very busy department, and have rarely experienced difficulties in not generally being available in the afternoon."

LEGAL APPOINTMENTS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

London & Manchester (Tst Mgmt) Ltd (1000)H

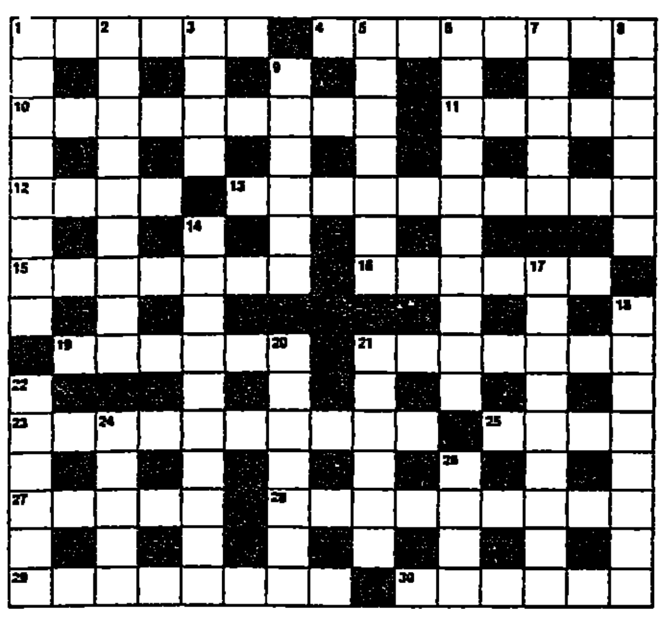
Winslade Park, Exeter EX5 1DS 0392 282673

American	5	27 58	27 89	29.61	0 8	40828
General	5	48 32	48.57xd	51.56	3.6	40829
Income	5	45 02	45.40	48.20	5.6	40830
International	5	33.74	34 07	36.17	1.0	40831
Japan	5	49.47	49.76	52.82	-	40832
Tst of Inv Trusts	5	35 75	36.30xd	38.54	2.0	40833

JOTTER PAD

CROSSWORD

No. 6,791 Set by TANTALUS



ACROSS

1 Disaster if returning to racecourse without leading trainer (6)
4 They may be used to improve locks (8)
10 Attendants, maybe ten born same time as us (9)
11, 12, 16, 27 For 'Tis the sport to have the engineer (Hamlet) (5,4,3,3,5)
13 Drunken uncle left a feeling of discomfort (10)
15 Pragmatist in Korea – listen to him! (7)
16 See 11
19 Hound a spy (6)
21 Stumble on oil produced in Libya (7)
23 Simple oriental chaps meet sailor in city (10)
25 Leaders of Asian camp made Everest peak (4)
27 See 11
28 Reject bird in select society (9)
29 Get a waistcoat in attempt to have burlesque (8)
30 Make final payment for bench (6)

DOWN

1 Type of carpentry that makes one worry? (4-4)
2 Against business with this blowing up? (9)
3 Monday for example (4)
5 Seeing animal, they each scatter without youth leader (7)
6 Other classic characters have no hesitation in being pedantic (10)
7 Giant constellation (5)
8 You shouldn't miss it! (6)
9 Gamble everyone goes in dancing (6)
14 Unmarried actor finds part of horse's harness (10)
17 Skill in 1 down for instance (9)
18 Crocidolite makes ferocious beast look! (5-3)
20 Beseech men not to start on pleasure excursion (7)
21 Lethargic crew at Oxford once (6)
22 Autocrat posted letters (6)
24 Run a special edition (5)
26 Small child with German going to Egypt (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday December 3.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out last Friday.
Other explanatory notes are contained in the last column of the FT Unit Trust information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Grs	City-line
Swiss Life Pen Tst Mngt Co Ltd (1000)H						
99-101 London Rd, Sevenoaks						0732 450161
Equity Dist	5	326.4	330.9xd	350.2	3.18	41483
Equity Acc	5	424.1	430.0	455.0	3.18	41484
Fixed Int Dist	5	114.1	115.7xd	119.4	8.47	41486
Fixed Int Acc	5	210.5	213.5	227.2	8.47	41456
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE						0264 63434
TSB American	6	91.87	92.67	98.58	2.15	41457
Do Accum	6	98.60	99.46	105.81	2.15	41458
TSB Brit Growth	6	54.21	54.21	57.67	3.34	41459
Do Accum	6	56.72	56.72	60.34	3.34	41460
TSB European	6	51.61	51.61	54.90	1.14	41461
Do Accum	6	53.01	53.01	56.39	1.14	41462
TSB Extra Income	6	146.63	149.91	159.48	5.81	41463
Do Accum	6	189.27	193.51	205.86	5.81	41464
TSB Smaller Cos	6	53.78	53.78	57.21	1.55	41465
Do Accum	6	54.74	54.74	58.23	1.55	41466
TSB General	6	177.56	177.56	188.89	3.43	41467
Do Accum	6	307.35	307.35	326.97	3.43	41468
TSB Premier Income	5	47.34	47.30xd	49.79	8.89	41469
Do Accum	5	72.67	73.37xd	76.45	8.89	41470
TSB Income	6	268.63	268.63	285.78	4.99	41471
Do Accum	6	449.01	449.01	477.67	4.99	41472
TSB Pacific	6	208.19	211.43	224.93	0.45	41473
Do Accum	6	216.45	219.83	233.86	0.45	41474
TSB International	6	316.77	318.79	339.08	0.88	41475
Do Accum	6	400.26	402.80xd	428.46	0.88	41476
TSB Nat Resources	6	57.89	59.08xd	62.85	1.40	41477
Do Accum	6	61.36	62.62xd	66.62	1.40	41478
TSB Secur Opps	6	79.61	79.61	84.69	2.73	41479
Do Accum	6	90.90	90.90	96.70	2.73	41480
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin 0296 394000						Dealing 01-379 0860
American Eagle	5	57.94	57.94	61.89	3.37	41482
Australia	5	7.296	7.296	7.792	0.10	–
Commodity	5	73.36	73.36xd	78.97	0.63	41484
Convertible	5	141.1	141.1xd	152.0	5.03	41485
Equity	5	154.4	154.4	165.9	3.15	41486
Euro Spec Sits	5	81.28	81.28	87.43	1.56	41487
Financial	5	30.11	30.11	32.50	2.10	41488
Global Opps Inc	5	54.45	54.45xd	58.66	0.64	41489
Global Opps Acc	5	54.86	54.86	59.10	0.64	41490
Gold Income	5	45.09	45.09xd	48.48	0.00	41491
Gold Acc	5	83.05	83.05	89.29	0.00	41492
Income	5	104.0	104.4	112.2	4.32	41493
Japan	5	125.9	125.9	135.4	0.00	41494
Pacific Inc	5	112.7	112.7	121.5	0.06	41495
Pacific Acc	5	139.8	139.8	150.7	0.06	41496
Preference Share	5	24.38	24.50xd	26.48	7.61	41497
Special Sits	5	92.59	92.59	100.1	1.56	41498
Technology	5	32.61	32.61	35.10	2.16	41499
UK Capital	5	89.30	89.30	96.05	1.63	41500
World Income	5	50.37	50.37xd	53.99	5.06	41501

	Bid Price	Offer Price	Yield Gross	City-line
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Property Oct 31		211.95	3.79	40825
Equity Oct 31		714.70	3.98	40826
Fxd Int Sec Oct 31		100.70	9.98	40827
* Available only to Local Authorities				
MIM Ltd				
Mngd Pens (Acc)	55.1	58.7	0.80	41007
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Exmt Nov 16	36.8	38.2	2.48	41064
Euro Exmt Nov 16	41.7	43.7	2.59	41065
Fixed Int Ex Nov 16	49.5	51.9	9.74	–
Japan Exmt Nov 16	55.6	57.8xd	0.84	41066
Managed Ex Nov 17	38.4	39.9xd	4.81	41067
SE Asia Exmt Nov 16	33.9	35.5	2.15	41068
Sm Cos Exmt Nov 16	43.3	45.4xd	2.9	41069
UK Eqty Ex Nov 16	35.2	36.9	4.5	41070
New Court Property Fund Managers				
NC Property	197.5	209.3	–	41205
Phillips & Drew Fund Management Ltd				
PDFM Small Co Fd 2/11	815.0	861.0	3.85	41138
Do Accum	842.0	889.0	3.85	41139
PDFM Int Exmt Nov 17	119.5	121.2xd	2.60	41140
J. Rothschild Fund Managers Ltd				
Intl Exempt	93.66	94.73xd	2.92	40172

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Society				
Investment Mngt M & G Inv Mngt Ltd				
AA Friendly Sy Nov 11	–	143.4	–	41607
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth				0202 292373
Prop. Ser. 1	259.6	273.3	–	41608
Equity Ser. 1	113.8	119.8	–	41609
Prop. Acc. Ser 2	387.7	408.2	–	41610
Equity Ser 2	129.2	136.1	–	41611
Selective Acc	296.7	312.4	–	41612
Prop. Ser. 4	307.9	324.2	–	41613
Equity Ser. 4	133.5	140.6	–	41614
Fixed Int. Ser. 4	217.5	229.0	–	41615
Indexed Inv Ser. 4	129.5	136.4	–	41616
American Ser. 4	242.0	254.8	–	41617

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd
PO Box 124 Norwich NR1 3JS 0603 683986

	Bid Price	Offer Price	Yield Gross	City-line
NUAM Funds				
Managed Fund	54 0	56.9	–	43191
Stock Market Mngd Fund	51 5	54 2	–	43192
Equity Fund	55 6	58.6	–	43193
International Fund	47.9	50 5	–	43194
European Fund	49 5	52 1	–	43195
North American Fund	41 6	43 8	–	43196
Pacific Fund	60 1	63.2	–	43197
Property Fund	67.5	71.0	–	43198
Fixed Interest Fund	52 5	55.3	–	43199
Index linked Sec Fund	53 4	56 3	–	43200
Deposit Fund	54 9	57 8	–	43201
NUAM Retirement Plans				
Mixed Fund	57 8	60 8	–	43202
UK Ordinary Share Fd	65 0	68 4	–	43203
International Fund	49 3	51.9	–	43204
Property Fund	65 7	69.2	–	43205
Fixed Interest Fund	56 9	59.9	–	43206
Index Linked Sec Fund	54.8	57.7	–	43207
Deposit Fund	59 1	62.2	–	43208
NUAM (MF)				
Managed Fund	754 0	793 7	–	43209
Equity Fund	1504 0	1583.2	–	43210
Property Fund	424.9	447 3	–	43211
Fixed Interest Fund	391 7	412.4	–	43212
Deposit Fund	224.5	236.4	–	43213
International Fund	126 0	132 7	–	43214
Index Linked Sec Fund	54.2	57 1	–	43215

Norwich Union Life Insurance Soc.
PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	Yield Gross	City-line
Unitised Pensions				
With Profits Fd.	108 14	113 84	–	43216
Managed Fd	116 75	122.90	–	43217
UK Equity Fd	120 28	126 61	–	43218

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

IoM AUTHORISED

[illegible]

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
2,250	Treas 11½pc 1989	99[illegible]	11.74	18.7	22Aug 22Feb	1291
855	Treas 9½pc Cnv 1989	99[illegible]	11.61	12 9	18Oct 18Apr	1348
500	Treas 3pc 1989	97[illegible]	9.49	10 10	15Nov 15May	1327
1,400	Treas 10½pc 1989	99[illegible]	11.73	7.11	14Dec 14Jun	1297
2,400	Exch 10pc 1989	98[illegible]	11.73	27.6	1Feb 1Aug	1250
2,000	Exch 11pc 1989	99[illegible]	11.51	23 8	[illegible]	1256
601	Treas 5pc 1986-89	95[illegible]	10.02	8.9	15Apr 15Oct	1329
535	Exch 10¼pc Cv '89	99[illegible]	10.83	10 10	15Nov 15May	1255
1,000	Treas 13pc 1990‡‡	102[illegible]	10.90	8 6	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	100[illegible]	10.76	6.7	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	101[illegible]	10.41	16 8	22Sep 22Mar	1262
550	Treas. 3pc 1990	91[illegible]	9.22	3.10	8Nov 8May	1325
600	Treas 8¼pc 1987-90‡‡	96[illegible]	10.82	9.11	15Dec 15Jun	1340
1,000	Treas. 8pc Cv 1990 ‡‡	97[illegible]	9.34	9.6	16Jul 16Jan	4680
1,887	Treas. 10pc Cv 1990	98[illegible]	10.71	19 9	25Apr 25Oct	1285
500	Exch 2½pc 1990	88[illegible]	8.75	17.10	22May 22Nov	1270
2,200	Treas 11¾pc 1991	101[illegible]	10.75	3 6	10Jul 10Jan	1292
400	Funding 5¾pc '87-91‡‡	91	10.11	1.9	5Oct 5Apr	1275
400	Treas. 3pc 1991	87[illegible]	8.67	7 10	13Mar 13Nov	1325
646	Treas 10pc Cv '91 ‡‡	99[illegible]	10.12	6 6	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	101[illegible]	10.55	19 9	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	93[illegible]	10.54	3 11	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	106[illegible]	10.38	15.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	99[illegible]	10.32	15 7	21Aug 21Feb	1283
1,400	Treas. 8pc 1992 ‡‡	93[illegible]	10.35	6.9	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	100[illegible]	10.36	3 10	7Nov 7May	1289
500	Treas. 3pc 1992	83[illegible]	8.36	4.11	11Dec 11Jun	1329
1,350	Exch. 12¾pc '92	105[illegible]	10.41	19 7	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	109[illegible]	10.39	16 8	22Mar 22Sep	1266
950	Treas 8¾pc 1993	93[illegible]	10.27	12.7	18Aug 18Feb	–
1,850	Treas 10pc 1993‡‡	99[illegible]	10.15	8 9	15Oct 15Apr	1279

BRITISH FUNDS—Contd

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	44[illegible]	–	27.6	1Feb 1Aug	1239
1,909	War Loan 3½pc‡‡	39[illegible]	–	25.10	1Jun 1Dec	1352
154	Conv 3½pc '61 Aft.	61½	–	25.8	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft.	32[illegible]	–	1.9	5Apr 5Oct	1324
276	Consols 2½pc	27[illegible]	–	1.9	5Ja Ap Jul O	1238
475	Treas. 2½pc	27[illegible]	–	25.8	1Apr 1Oct	1315

Index-Linked

Amount £m	Stock	Price £	Red. Yld. (1)	Last xd	Interest Due	City-line
500	Treas 2pc IL '90(84.6)	123[illegible]	2.67	20.6	25Jul 25Jan	1311
650	Do 2pc '92‡‡(97.8)	104[illegible]	2.98	17 8	23Mar 23Sep	1312
400	Do 2 '94 (102.9)	95[illegible]	3.37	10 10	16Nov 16May	–
1,000	Do. 2pc '96(67.9)	140[illegible]	3.40	10.8	16Mar 16Sep	1313
900	Do 2½pc '01(78.3)	119[illegible]	3.63	18 8	24Mar 24Sep	1316
800	Do. 2½pc '03(78.8)	116[illegible]	3.69	14 10	20Nov 20May	1317
1,200	Do 2pc '06(69.5)	118[illegible]	3.70	13.6	19Jan 19Jul	1314
950	Do 2½pc '09(78.8)	111[illegible]	3.70	14.10	20Nov 20May	1318
1,350	Do. 2½pc '11(74.6)	115[illegible]	3.69	18.7	23Feb 23Aug	1319
1,100	Do 2½pc '13(89.2)	95[illegible]	3.69	11.7	16Feb 16Aug	1320
1,700	Do. 2½pc '16(81.6)	103[illegible]	3.68	20.6	26Jan 26Jul	1321
1,400	Do. 2½pc '20(83.0)	101[illegible]	3.61	9.9	16Oct 16Apr	1322
900	Do 2½pc '24‡‡(97.7)	85[illegible]	3.56	10 6	17Jan 17Jul	1323

(1) Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1988:104.1 and for October 1988:109.5

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Five to Fifteen Years

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Over Fifteen Years

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,925.2	Texas Instr. $1	19	72c	2.0	22.9	JAJO	5033
5,157.8	Time Inc. $1	54¼	$1.00	1.0	25.8	Mr Jn Se De	4234
1,304.1	Transamerica $1	17½	$1.84	5.9	30.9	Ja Ap Jn Oc	4289
474.2	TRINOVA Corp.	13	64c	2.6	9.11	Mc Je Se De	4309
4,460.8	USX $1	14	$1.40	5.3	2.11	Mr Je Se De	4360
2,603.6	Utd. Technologies	21½	$1.60	4.1	15.11	Mr Jn Sp Dc	4381
6,136.4	US West	30	$3.52	6.4	13.4	Fb My Ag No	–
4,722.5	Waste Management $1	20	48c	1.3	16.9	Ap Jly Oc Jan	4439
926.0	Whirlpool $1	13	$1.10	4.5	25.01	Mr Jn Se De	–
1,606.1	Woolworth $3½	27½	$1.64	3.3	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp	173p	–	–	–	–	–
–	Abbot Energy Corp	7p	–	–	–	–	–
552.9	Amer. Barrick Res	960p	–	–	–	–	–
–	American Lightwave	31p	–	–	–	–	–
–	Armeno	9p	–	–	–	–	–
–	Augmitto Expln	45p	–	–	–	–	–
1,360.6	Bk. Montreal	12¼	$2.00	7.5	8.8	Fb My Ag Nv	–
1,021.7	Bk. Nova Scot.	616p	76c	5.6	28.9	Ja Ap Ju Oc	–
4,424.3	BCE	16¾	$2.44	6.8	6.6	Ap Jy Oc Ja	–
222.8	Bow Valley	538p	440c	3.4	15.12	May Nov.	–
729.8	Brascan	10¼	88c	3.7	28.10	Ja Ap Jy Oc	–
44.6	Breakwater Res.	199p	10c	2.3	–	–	–
1,584.6	Can. Imp. Bank	10¼	$1.16	5.2	29.6	Fe My Au No	–
2,667.0	Can. Pacific	880p	76c	3.9	28.9	July Jan.	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا أصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1.19	Pennine Optical 2½p y	40	–	–	–	–	4889
5.50	Propeller 1p. y	44	–	–	–	–	3729
2.52	Rentaminster 5p y	62	u1.0	2.2	–	–	5229
9.38	Royal Sovereign 10p. y	212	†4.6	2.9	3.10	May Nov	1505
1.44	Scott Pickford 10p. y	28½	3.1	20.2	–	–	5062
6.94	Seacon Hldgs. y	100	Z1.0	1.3	19.9	–	3968
1.06	Sonic Tape 2½p. y	8½	n–	–	–	–	5152
5.52	Staks Hldgs. 5p. y	20	–	–	–	–	4625
4.63	Swanyard Studios 1p y	3¼	–	–	–	–	4666
26.9	Takare. y	308	b1.0	0.4	–	–	4647
3.36	Tomorrows Leisure 20p y	30	–	–	–	–	4248
13.8	Tullow Oil 10p. y	22	–	–	–	–	4886
4.55	UPL Group 10p. y	113	L2.41	2.9	23.5	–	4362
7.49	Unit Group. y	145	5.0	4.6	27.10	Jan July	4357
7.94	Video Tape Rec 5p. y	115xd	2.5	2.9	14.11	–	4591
0.88	Wilton Group. y	5¼	–	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✦ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ *Indicated dividend after pending scrip and/or rights issue.*
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. *A Net dividend and yield.* B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p. y	71	
Craig & Rose £1. y	700	–10
Finlay Pkg. 5p. y	89	
Holt (Jos) 25p. y	£11¼	

IRISH

Cap. 8½% Ln. 1991	£99⅝	
9pc Cap Ln. 1996	£103¼	
Fin. 13% 97/02	£124½	
Arnotts y	375xd	
Carrol Inds. y	155	
Grafton Grp. y	145	
Hall (R. & H.)	150	
Helton Hldgs. y	56	
Irish Ropes y	165	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Trying times for the US dollar

by Jonas Crosland

DOLLAR TRADING is likely to start on a cautious note this morning, with the currency market waiting to see how central banks act. Dealers in London will be hoping for some lead from trading in Tokyo, in particular for any signs of Bank of Japan intervention.

Further intervention by the Group of Seven countries could keep the dollar off the critical list, at least initially, but markets are looking for some concrete action on the twin US budget and current account deficits. They view G7 support as purely a short term mechanism likely to do little more than control the dollar's decline.

There is now a reluctant acceptance in the currency markets that little fundamental can be done until the incoming Bush Administration is in position in Washington towards the end of January. Investors will by then, be looking for positive policy decisions on the deficits and not just ad hoc G7 intervention.

High US interest rates would, of course, make investors sit up and look at the narrowing differential between say, Euro-dollars and Euro-sterling, or the increasing attraction of dollar deposits over yen or D-Marks. Nonetheless, the key question remains: would the premium be sufficient to allay fears about potential exchange rate losses? For the moment the answer is a fairly definitive no, and the prospects of higher rates soon, were not particularly enhanced in comments made last week by Mr Nicholas Brady, the US Treasury Secretary, now confirmed in that office by President-elect Bush.

His attempt to calm foreign exchange markets largely backfired. By suggesting that the US Administration should not be panicked into pushing up rates to defend the dollar, it being after all, a fundamentally strong currency, he managed to conflict with the market's view of things. Its inevitable narrow focus suggests that the dollar is not, as of now anyway, a strong currency, and that a failure to raise US rates will accelerate its steady decline.

Euro-dollar interest rates have edged up half a point over the past month, yet last week, when dollar pressure really started to build, the change was marginal. At the same time, the US Federal funds rate, regarded from time to time as a barometer of official thinking, has hardly moved in the past week.

The key short term question remains: how will central banks act today? Many investors had covered their short positions last week before central banks moved in on the market. Hence the bear squeeze turned out to be a painless affair, and certainly nothing like the squeeze sprung by the G7 last January. As Mr Nick Parsons, group economist at Union Discount, pointed out: "The market will not now be short of dollars and is better poised technically, for a further drop."

If the dollar is to fall further, investors must quickly find which other currency is the best buy of the day. Sterling is attractive, in that sterling denominated paper offers a higher return than in any other major currency.

However, the release on Friday of UK trade figures for October, adds a further complication to the quest for the best currency return. Mr Nigel Lawson, UK Chancellor of the Exchequer, has already said that the current account deficit is likely to be one of the last economic indicators to benefit from the current tight monetary policy, and hence those investors waiting to be pleasantly surprised on Friday are in the minority.

Forecasters in the market are looking for a current account deficit around the £1bn mark, compared with September's narrower than expected shortfall of £560m. Any figure significantly worse than that will provide another test for sterling confidence.

£ IN NEW YORK

Nov.18	Close	Previous Close
£ Spot	1.8150-1.8160	1.8275-1.8285
1 month	0.48-0.46pm	0.46-0.44pm
3 months	1.34-1.29pm	1.32-1.30pm
12 months	4.70-4.60pm	4.73-4.68pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.18	Previous
8.30 am	77.2	77.3
9.00 am	77.1	77.3
10.00 am	77.0	77.3
11.00 am	77.1	77.3
Noon	77.1	77.3
1.00 pm	77.2	77.3
2.00 pm	77.1	77.3
3.00 pm	77.1	77.1
4.00 pm	77.2	77.2

CURRENCY RATES

Nov.18	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.747394	0.656851
U.S. Dollar	6.50	1.36960	1.19251
Canadian $	8.75	1.68981	1.47156
Austrian Sch.	4	16.5612	14.5737
Belgian Franc	7¼	49.3241	43.4284
Danish Krone	7½	8.97225	7.99938
Deutsche Mark	3½	2.35434	2.07199
Neth Guilder	4	2.65428	2.33590
French Franc	9½	8.04366	7.08234
Italian Lira	12½	1752.34	1541.32
Japanese Yen	2½	166.886	146.405
Norway Krone	8	8.94212	7.85270
Spanish Peseta	-	155.262	136.543
Swedish Krona	8½	8.23609	7.23498
Swiss Franc	3	1.97225	1.74047
Greek Drach.	20½	N/A	172.115
Irish Punt	-	0.892364	0.776275

*All SDR rates are for Nov.17

CURRENCY MOVEMENTS

Nov.18	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.2	-15.2
U.S. Dollar	93.6	-13.6
Canadian Dollar	81.7	-5.1
Austrian Schilling	136.6	+10.3
Belgian Franc	99.2	-5.3
Danish Krone	90.4	+0.4
Deutsche Mark	146.7	+22.1
Swiss Franc	169.7	+21.1
Guilder	134.8	+14.2
French Franc	69.6	-14.9
Lira	45.7	-20.4
Yen	253.1	+87.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for Nov.17.

OTHER CURRENCIES

Nov.18	£	$
Argentina	22.8360-22.9995	12.6200-12.7000
Australia	2.1205-2.1225	1.1670-1.1680
Brazil	967.00-972.65	534.40-537.50
Finland	7.4850-7.5070	4.1270-4.1290
Greece	259.55-263.85	143.35-145.65
Hong Kong	14.1610-14.1745	7.8040-7.8060
Iran	122.75*	67.30*
Korea(Sth)	1256.70-1266.80	688.00-693.60
Kuwait	0.50660-0.50710	0.27955-0.27965
Luxembourg	66.00-66.10	36.30-36.40
Malaysia	4.8455-4.8665	2.6760-2.6800
Mexico	4132.90-4147.20	2284.00-2290.00
N. Zealand	2.7960-2.8010	1.5385-1.5410
Saudi Ar.	6.7975-6.8035	3.7505-3.7515
Singapore	3.5270-3.5335	1.9470-1.9500
S. Af (Cm)	4.3020-4.3225	2.3750-2.3800
S. Af (Fn)	6.7890-6.9180	3.7385-3.8095
Taiwan	51.15-51.40	28.05-28.15
U.A.E.	6.6560-6.6620	3.6725-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Nov.18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11¼-11⅛	11⅜-11¼	11⅞-11⅞	12¼-12⅛	12¼-12⅛	12¼-12⅛
US Dollar	8¼-8⅛	8½-8⅜	8⅝-8½	9⅛-9	9⅜-9¼	9⅜-9¼
Can. Dollar	9¾-9⅝	10-9¾	10⅜-10¼	10⅞-10¾	11¼-11	11¼-11
D. Guilder	5⅜-5¼	5⅜-5¼	5⅝-5½	5⅝-5½	5⅜-5¼	5⅞-5¾
Sw. Franc	5-4¾	4⅝-4⅜	4⅝-4⅜	4⅝-4⅜	4⅝-4¼	4⅝-4⅜
Deutschmark	4⅝-4½	4¾-4⅝	4⅞-4⅝	5-4⅞	5⅛-4⅞	5⅛-5
Fr. Franc	7⅞-7⅝	7⅞-7⅝	8⅛-7⅞	8⅛-8⅛	8⅜-8⅛	8⅜-8⅛
Italian Lire	12-10	11½-10½	11½-11	11⅝-11⅜	11⅝-11½	11⅞-11⅝
B. Fr. (Fin)	7⅜-7¼	7¼-7⅛	7¼-7⅛	7¼-7⅛	7⅜-7¼	7⅝-7½
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible]; three years [illegible]; four years [illegible]; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12 month 4.70-4.60pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

MONEY MARKETS

A change in the longer view on interest rates

A RISE in UK interbank rates is slowly, but steadily beginning to focus attention on base rates. Most market players still believe that calls for a rise to 12½ or 13 p.c. in bank base rates are premature. But a changing pattern in the current yield structure, could be giving early signs of, what may be, the writing on the wall.

The yield curve has clearly flattened over the past week, and only one sixteenth of a point prevents the structure from being positive out to one-year.

There are two main reasons for this change of heart. A gentle rise in US rates suggests that, in order to maintain the current interest rate differential in the pound's favour, UK rates are having to show a similar rise. Secondly, the market is showing increased concern about inflation, and the pace of economic growth.

Some success has been achieved in slowing things down, in the housing market for instance, but it is not sufficiently clear from official data, that the tightening in monetary policy, implemented in the summer, is having the desired effect, just yet.

Further evidence of the market's concern can be seen through the performance of short-sterling futures, in the London Liffe market. The March contract has fallen significantly in the past week from 88.14 to 87.76.

For the time being, the UK authorities are probably happy to leave base rates where they are, and wait until the New Year, for fresh pointers on the level of demand in the economy.

UK clearing bank base lending rate 12 per cent from August 25 & 26

MONEY RATES

NEW YORK (4pm) — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	FRIDAY NOVEMBER 18 1988: US Dollar Index	% Change Since Dec.31 87	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY NOVEMBER 17 1988: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1988 High	1988 Low	Year ago (approx)
Australia (91)	145.42	+38.9	118.69	112.92	4.65	145.78	118.65	112.91	152.31	91.16	93.90
Austria (17)	98.13	-2.6	80.09	88.60	2.42	98.08	79.83	88.39	98.34	83.72	91.53
Belgium (63)	132.08	+28.0	107.80	119.22	4.25	132.44	107.80	119.21	139.89	99.14	102.16
Canada (125)	114.98	+4.1	93.84	102.57	3.39	114.29	93.03	102.08	128.91	107.06	100.73
Denmark (39)	149.42	+29.4	121.96	136.16	2.20	148.20	120.63	135.20	149.42	111.42	107.23
Finland (26)	129.44	+12.5	105.64	112.13	1.49	130.67	106.36	112.84	139.53	106.78	[illegible]
France (130)	110.36	+28.2	90.07	102.65	3.16	110.79	90.18	102.67	111.95	72.77	82.10
West Germany (102)	86.95	+12.5	70.97	78.43	2.38	86.28	70.22	77.53	87.49	67.78	74.14
Hong Kong (46)	106.16	+19.2	86.65	106.38	4.88	105.63	85.98	105.82	111.86	84.90	86.00
Ireland (18)	132.92	+26.9	108.48	122.05	4.09	132.25	107.64	120.97	144.25	104.60	99.85
Italy (98)	85.13	+9.5	69.48	82.02	2.46	84.74	68.97	81.32	86.73	62.99	74.56
Japan (456)	186.44	+31.9	152.17	144.42	0.52	185.33	150.85	143.63	186.44	133.61	136.66
Malaysia (36)	138.42	+24.0	112.98	142.77	3.01	138.46	112.70	143.18	154.17	107.83	104.56
Mexico (13)	174.03	+65.0	142.04	435.15	1.25	169.78	138.19	424.54	180.07	90.07	126.20
Netherland (38)	108.58	+8.3	88.62	97.01	5.08	108.72	88.49	96.71	111.00	95.23	94.20
New Zealand (25)	72.60	-4.7	59.25	59.36	6.57	72.73	59.20	59.70	84.05	64.42	77.07
Norway (25)	121.50	+19.4	99.16	108.72	2.67	121.84	99.17	108.77	122.23	98.55	102.44
Singapore (26)	117.80	+21.0	96.14	105.77	2.56	118.96	96.82	106.32	135.89	97.99	98.57
South Africa (60)	117.36	-12.1	95.79	96.81	4.75	119.18	97.01	97.39	139.07	98.26	126.31
Spain (42)	151.59	+34.3	123.72	131.26	3.12	152.36	124.01	131.58	164.47	130.73	113.74
Sweden (35)	133.14	+34.3	108.67	119.54	2.39	132.33	107.71	118.76	133.58	96.92	96.91
Switzerland (56)	78.75	-5.7	64.27	71.13	2.37	84.45	68.73	75.89	86.75	74.13	80.20
United Kingdom (318)	138.90	+4.8	113.36	113.36	4.64	139.28	113.36	113.36	141.18	120.66	117.91
USA (577)	108.65	+8.1	88.68	108.65	3.73	107.92	87.84	107.92	115.55	99.19	98.69
Europe (1007)	114.79	+9.8	93.69	99.43	3.73	115.20	93.76	99.46	115.20	97.01	96.26
Pacific Basin (680)	181.55	+31.6	148.18	141.53	0.74	180.54	146.95	140.79	181.55	130.81	133.08
Euro-Pacific (1687)	154.84	+24.3	126.38	124.79	1.63	154.40	125.67	124.34	154.84	120.36	118.38
North America (702)	108.97	+7.8	88.94	108.29	3.71	108.25	88.10	107.58	116.07	99.78	98.80
Europe Ex. UK (689)	99.67	+14.4	81.35	90.92	3.00	100.09	81.47	90.98	100.74	80.27	82.63
Pacific Ex. Japan (224)	123.14	+27.9	100.51	105.07	4.67	123.22	100.30	104.98	128.27	87.51	89.85
World Ex. US (1885)	153.09	+23.2	124.95	123.91	1.70	152.66	124.25	123.46	153.09	120.26	117.86
World Ex. UK (2144)	135.79	+19.8	110.83	119.52	2.08	135.36	110.01	119.06	135.79	113.77	109.71
World Ex. So. Af. (2402)	136.16	+18.5	111.13	118.90	2.30	135.61	110.38	118.35	136.16	113.26	110.32
World Ex. Japan (2006)	111.79	+9.2	91.24	105.28	3.77	111.53	90.78	104.90	115.54	100.07	97.71
The World Index (2462)	136.05	+18.3	111.04	118.75	2.31	135.51	110.29	118.21	136.05	113.37	110.43

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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Markets closed on November 11: Belgium and France.
CONSTITUENT CHANGES: Deletions: Buttonford & risp.X(Italy), HallM.J and Pilgrim House (both U.K).

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 34,455
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22%. Sunrise 8.47%. Top Tier-£10,000+ instant access 11.06% & Mortgage base rate. § Demand deposit 7%. Mortgage 12.375% - 12.5%

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO

Closing prices November 18

MONTREAL

Closing prices November 18

Total Sales 3,948,928 shares.

INDICES

NEW YORK DOW JONES

	Nov 18	Nov 17	Nov 16	Nov 15	1988 High	1988 Low	Since compilation High	Since compilation Low
◆Industrials	2062.41	2052.45	2038.58	2077.17	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.64	89.79	89.97	89.93	91.25 (3/3)	86.12 (4/1)	–	–
Transport	896.71	890.98	890.98	906.51	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	181.72	182.31	181.54	183.08	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2070.41 (2064.19) Low 2047.12 (2033.29)

STANDARD AND POOR'S	Nov 18	Nov 17	Nov 16	Nov 15	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	266.47	264.61	263.82	268.34	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	306.36	303.93	302.84	308.44	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.48	24.33	24.36	24.68	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	150.18	149.24	148.96	151.33	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	286.67	285.37	286.30	289.59	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	367.58	367.43	367.79	372.13	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Nov 11	Oct 21	Oct 14	year ago (approx.)
Dow Industrial Div. Yield	3.81	3.54	3.63	3.54
	Nov 16	**Nov 9**	**Nov 2**	**year ago (approx.)**
S & P Industrial div. yield	3.32	3.19	3.09	3.31
S & P Indl. P/E ratio	12.13	12.60	13.52	16.39

TRADING ACTIVITY ‡ Volume

Millions	Nov 18	Nov 17	Nov 16
New York	119.320	141.280	161.710
Amex	7.575	9.190	8.040
OTC	103.242	140.151	127.993

NEW YORK	Nov 18	Nov 17	Nov 16
Issues Traded	1,931	1,955	1,955
Rises	840	619	296
Falls	536	825	1,216
Unchanged	555	511	443
New Highs	7	9	5
New Lows	39	53	63

CANADA

TORONTO	Nov 18	Nov 17	Nov 16	Nov 15	1988 High	1988 Low
Metals & Minerals	2805.2	2784.2	2778.8	2804.4	3226.5 (5/7)	2238.7 (8/2)
Composite	3221.1	3198.5	3209.8	3245.0	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1593.81	1578.00	1580.48	1603.11	1723.71 (5/7)	1305.06 (27/1)

	Nov 18	Nov 17	Nov 16	Nov 15	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1493.3	1494.9	1522.3	1523.1	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	706.5	710.2	726.1	729.7	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	222.40	221.90	221.80	220.20	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5317.50	5312.40	5321.60	5307.90	5383.00 (10/11)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	242.77	241.06	241.19	240.80	247.87 (1/11)	180.68 (4/1)
FINLAND						
Unitas General (1975)	726.1	725.3	723.5	722.7	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	392.6	389.6	392.7	390.2	397.2 (9/11)	251.3 (29/1)
Ind. Tendance (31/12/87)	150.2	149.6	151.7	149.8	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	528.06	522.00	(c)	523.55	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1592.3	1573.5	(c)	1580.5	1641.60 (27/10)	1207.9 (29/1)
DAX (30/12/87)	1277.55	1264.59	(c)	1262.54	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2581.16	2568.79	2566.88	2568.58	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	579.64	575.67	579.53	571.88	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	29180.20	29076.81	28996.12	28829.41	29180.20 (18/11)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2252.11	2240.10	2234.98	2234.15	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	269.4	268.4	271.4	270.7	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	234.8	233.9	236.7	235.5	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	413.42	415.81	420.11	415.29	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	991.37	991.23	998.55	997.83	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1331.0◆	1343.0	1336.0	1346.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1849.0◆	1844.0	1848.0	1850.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	282.79	283.45	285.68	285.00	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3184.50	(u)	3184.00	3150.80	3267.33 (4/11)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	573.1	563.1	570.5	567.1	582.3 (21/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	479.3	478.6	478.9	479.3 (17/11)	401.0 (21/1)

**Saturday Nov. 19: Japan Nikkei (c) and TSE (c)

◆ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
RJR Nabisco	4,254,900	84	+ 1¼	AT&T	1,268,900	27⅝	+ ⅛
Kty Util (xd)	3,061,000	18	– ⅛	MCA	1,204,100	42⅞	– 1
FPL Group	2,442,500	31	+ ⅛	Pillsbury	1,191,500	57⅛	+ ⅛
Exxon	1,592,000	42⅛	+ ⅝	Dominion Res	1,131,600	43½	—
General Electric	1,343,100	43⅞	+ ½	IBM	1,126,500	115⅛	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 18 November 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	202.9m	928	+30	Mitsubishi Estate	32.9m	2,960	+120
NKK	47.9m	925	+5	Tokyo Gas	23.0m	1,620	+30
Kawasaki Heavy	37.8m	850	+32	Nippon Paint	22.9m	861	+56
Sumitomo Metal	37.6m	745	+5	Tokyo Marine & Fire	18.6m	2,320	+80
Kawasaki Steel	35.8m	1,080	+10	Mitsui Real Estate	18.3m	3,150	+60

4pm prices November 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A — A — A —								
27¾	14	AAR	.44	2.0	16	1121	22½	21¾	22	+⅛
10⅛	8⅛	ACM n				127	9	8⅞	8⅞	-⅛
12⅛	10⅝	ACMIn	1.26a	11.		344	11⅛	11⅛	11⅛	+⅛
10⅛	10	ACM M n				323	10	10	10	
12⅛	10⅝	ACMSc	n1.26	12.		817	11	10⅞	10⅞	
10⅛	8⅞	ACMSp	n1.01	11.		265	9	8⅞	8⅞	-⅛
6⅛	3⅛	AM Intl				1012	4⅛	4⅛	4⅛	
23⅛	18⅛	AM Intl pf	2	9.3		26	21¾	21½	21½	+⅛
51⅛	28¾	AMR			8	3813	48	47⅛	47⅝	+½
27	25	ANR pf	2.67	10.		10	25⅝	25⅝	25⅝	
9½	5⅝	ARX			10	152	5⅝	5⅝	5⅝	
58¾	35¼	ASA	3a	8.0		331	38⅝	37⅛	37⅝	-1
20⅛	11	AVX	.12e	.7	11	1067	16⅛	15⅛	16⅛	+½
52⅛	42⅛	AbtLab	1.20	2.7	14	3264	45	44⅝	44⅞	+⅛
21⅛	15⅛	Abitibi g	1			4	16	16	16	
13⅞	7⅞	AcmeC	.40	5.2		165	7⅞	d7⅛	7⅛	-⅛
8⅞	6⅛	AcmeE	.32b	5.2	27	12	6⅛	6⅛	6⅛	
29½	12¾	Acuan			20	765	21⅛	20⅝	21⅛	+⅛
17⅛	14⅝	AdaEx	2.06e	14		67	15⅛	15⅛	15⅛	
18⅞	7⅛	AMD			14	4915	7¾	7½	7¾	+⅛
49½	29⅛	AMD pf	3	9.9		3	30⅛	30⅛	30⅛	+⅛
8½	4⅝	Adobe				40	6⅛	6⅞	6⅞	-⅛
21⅛	19⅛	Adob pf	2.40	12.		5	20½	20⅛	20½	+⅛
9⅛	5⅞	Advest	.12	1.7	21	95	7⅛	6⅞	6⅞	-⅛
52½	38½	AetnLf	2.76	5.8	8	1230	48	47½	48	+⅛
95	90⅛	AetL pfC	5.83e	6.3		z1	93	93	93	+½
34⅛	20½	AhPb s	.20	.7		270	28⅝	28½	28½	-⅛
18⅝	13	Ahmans	.88	5.5	9	1690	16	15⅝	16⅞	+⅛
4⅝	1⅞	Aileen				35	3⅞	3⅞	3⅞	+⅛
53⅛	30⅝	AirPrd	1.20	3.1	10	667	38⅞	38⅛	38⅞	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
8⅝	4⅞	RodRen	.14	1.8		4	7⅞	7⅞	7⅞	+ ⅛
37½	26	RoHaas	1.12	3.5	9	377	32	31⅝	32	
30½	15⅛	Rohr			15	742	27	26⅜	27	+ ⅜
13⅝	9½	RollnE s	.06	.6	17	2056	9⅞	d 9⅜	9½	− ⅛
19¼	13⅝	Rollins	.52	3.0	15	68	17¾	17	17¼	+ ⅛
48¼	21⅛	Rorer s	.80	2.1	22	1025	38⅞	38⅛	38⅞	+ ¼
6⅝	4	Rowan				849	5	4⅞	4⅞	
124¼	101	RoylD	7.24e	6.4	7	1708	113	112⅜	112½	− ½
13½	7	RoyInt	.16e	1.7	11	475	9⅝	9½	9⅝	+ ⅛
8⅞	5	Royce	.22e	2.6		127	8⅝	8½	8⅝	+ ⅛
27	19⅞	Rubmd	.44	1.8	18	433	24	23¾	24	+ ⅛
28⅜	17½	RussBr	.40	2.1	8	17	19	18⅞	19	
18⅞	11	RussTg	.60	4.7	19	29	12¾	12⅝	12¾	
17¾	10⅝	Russell	.24	1.5	13	174	16⅝	16	16⅝	+ ⅜
32½	20	Ryder	.56	2.4	14	1366	23½	22⅞	23⅜	+ ⅜
31½	17⅞	Rykoff	.68	2.4	15	169	28⅜	28	28¼	− ¼
19	11	Ryland	.50	2.9	7	184	17½	17⅛	17½	
13½	8⅛	Rymer			58	13	8⅝	8⅝	8⅝	− ¼
10	7¾	Rymer pf	1.17	15.		28	8	7⅞	8	+ ⅛
− S − S − S −										
34½	29⅛	SCEcp	2.48	7.7	9	1575	32⅞	32⅛	32⅜	− ½
9½	6½	SCOR U	.10e	1.4	5	173	7⅜	7⅛	7¼	+ ⅛
[illegible]										
38⅝	18⅛	XTRA	.72	2.2	14	40	33⅝	32⅝	33⅜	+ ½
29¾	19⅝	XTRA pf	1.94	7.5		25	25⅞	25	25⅞	− ¼
59¼	19¾	Yorkin			15	62	52¾	52⅛	52¼	− ⅛
3⅞	2⅛	Zapata				153	2⅝	2½	2⅝	+ ⅛
27⅞	13½	Zayre	.40	1.6	165	4905	25¼	24⅞	25⅛	+ ½
15½	8⅜	Zemex	.40	3.0	17	1	13¼	13¼	13¼	− ⅛
30	13	ZenithE				1365	17⅛	16½	16⅝	− ⅜
10¾	9½	Zenin n	.48e	5.0		57	10	9⅞	9⅞	− ⅛
4⅛	1	vjZenLb				411	2⅛	2¼	2¼	− ⅛
21½	13⅛	ZenNtl	.80b	4.9	7	173	16¾	15⅛	16⅛	+ 1⅛
17¼	11¼	Zero	.44	2.7	14	85	16½	16¼	16⅜	− ⅛
29	15½	Zurnin	.68	2.6	15	145	25⅞	25⅝	25¾	
11⅛	8⅛	Zweig	1.04	10.		271	10⅜	10¼	10⅜	+ ⅛
10⅛	9⅞	ZweigT	n.08e	.8		578	9⅞	d 9⅛	9⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices November 17

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 4pm prices November 17

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

The Business Column

Benefits of being a 'thick' manager

If you are a manager and have been called "thick", consider it a compliment. According to Henry Mintzberg, professor of management at McGill University in Montreal, Canada, thick means thorough, while "thin" means facile. Thin management gets too much promotion, he complains, while thick often scarcely gets a look in.

The most refreshingly down-to-earth of business gurus, Mintzberg first came to prominence in the 1970s with his researches into the way executives actually manage, as opposed to how his fellow academics thought they did.

Since then, he has led sporadic campaigns against the simplistic but much-propagated view of management as a purely rational, "scientific" process. Mintzberg was extolling the importance of intuition, emotion and other "soft" characteristics in management long before "In Search of Excellence" and other bestsellers took up the theme six years ago.

So was Professor James Brian Quinn, whose work on management as a process of messy incrementalism and "controlled chaos" also had considerable influence on the two co-authors of "Excellence". Tom Peters borrowed the concept for the title of his latest bestseller, "Thriving on Chaos".

Provocative word-pairings

While Quinn has gone on to other subjects – the changing relationships between manufacturing and service – Mintzberg is having a fresh crack at his old target. With the aid of a lexicon, he is compiling some of the most commonly used words in management, paired into "thick" and "thin".

His word-pairings are certainly provocative. "Facts" are thin, for instance, while "beliefs" are thick. "Expertise" is thin, "wisdom" thick. "Restructuring" is thin, "creating" thick. "Calculation" is thin, "commitment" thick. And so on, down to "training" (thin) and "experience" (thick), as well as "bottom line" (thin) and "quality" (thick).

Mintzberg let fly on the subject at last month's annual Strategic Management Society conference in Amsterdam. His international audience of businesspeople, consultants and academics were delighted. *They were less kind to a professor from the opposing school of "hard" logic and systems who had the temerity to challenge Mintzberg's prescriptions.*

Trial-and-error process

Mintzberg also railed against "rationalise", that fashionable word with several meanings, all of which "are to the contemporary manager what blood-letting was to the medieval physician," he claimed. And he took issue with the view, epitomised by Professor Michael Porter's books on competitive advantage, that effective strategy-making relies on ultra-analytical ("thin") planning. Instead, Mr Mintzberg insists that success results from a trial-and-error process of "crafting" which involves much instinct and feel, as well as analysis. Crafting, of course, is "thick".

Mintzberg's message is clearest when, as in the latter case, he gives some ground to his opponents. But he can tend towards overstatement. His point that over-analysis breeds bureaucracy and paralysis has been recognised increasingly over the past few years by practising managers, if not by some of the ivory-tower academics he vilifies. But so have the dangers of uninformed intuition – otherwise known as managing by the seat of your pants (whether they are thick or thin).

The essential art of management is knowing (or feeling) how to strike the right balance between thorough analysis and informed instinct. In "In Search of Excellence" this is called "tight/loose management". As an understated Dutch chief executive muttered after hearing Mintzberg's speech, "surely it's both thick AND thin, rather than either/or?"

Christopher Lorenz

Sara Webb talks to Peter Wallenberg, head of Sweden's leading industrial dynasty

Keeping the blue chips in the family

It is sometimes said that there are two enduring dynasties in Sweden, the Social Democratic Party, which has governed Sweden for 50 of the last 56 years, and the Wallenberg family. In the past, the two have often worked hand in glove – one providing the means, the other the ideas for building up Swedish industry into an extraordinarily international force. But of the two, the Wallenbergs can justly claim the longer inheritance.

The family traces its influence in Swedish banking and industrial history to 1856 when Andre Oscar Wallenberg, an officer in the Swedish navy, founded Stockholms Enskilda Banken.

It was Sweden's first modern commercial bank and, as the Wallenberg family bank, it came to play an important role in Sweden's transformation from an agrarian to an industrial society at the turn of the century. The Wallenberg family gradually built up a sphere of companies: Andre Oscar's grandsons, the legendary Marcus Wallenberg and his brother Jacob, rescued Ericsson and Swedish Match after the collapse of the empire built up by Sweden's match king, Ivar Kreuger, who shot himself in Paris in 1932. Marcus was also instrumental in creating SAS (Scandinavian Airlines System), although the company is no longer considered within the Wallenberg sphere.

● PERSONAL FILE

1926 Born
1953 Bachelor of Laws from University of Stockholm
1953 Joins Atlas Copco
1959-62 Managing director Atlas Copco, Rhodesia
1974- Chairman of the board of Atlas Copco
1974-80 Industrial adviser to the Skandinaviska Enskilda Banken
1984- First vice chairman of the board of S-E Banken
(1989- President of the International Chamber of Commerce)

Today, the Wallenberg empire includes key holdings held through investment companies and family trusts in most of Sweden's blue chips: names like Asea, Stora, Electrolux, Ericsson, Atlas Copco, Alfa-Laval, Saab-Scania, SKF, Esab, Incentive, Astra. And at the head of the empire sits Peter, Marcus's son.

A recent all-party committee investigation into the concentration of power in Swedish industry confirmed what most Swedes know from a cursory glance at any bourse guide, namely that the Wallenbergs are "without comparison the largest owners in Swedish industry."

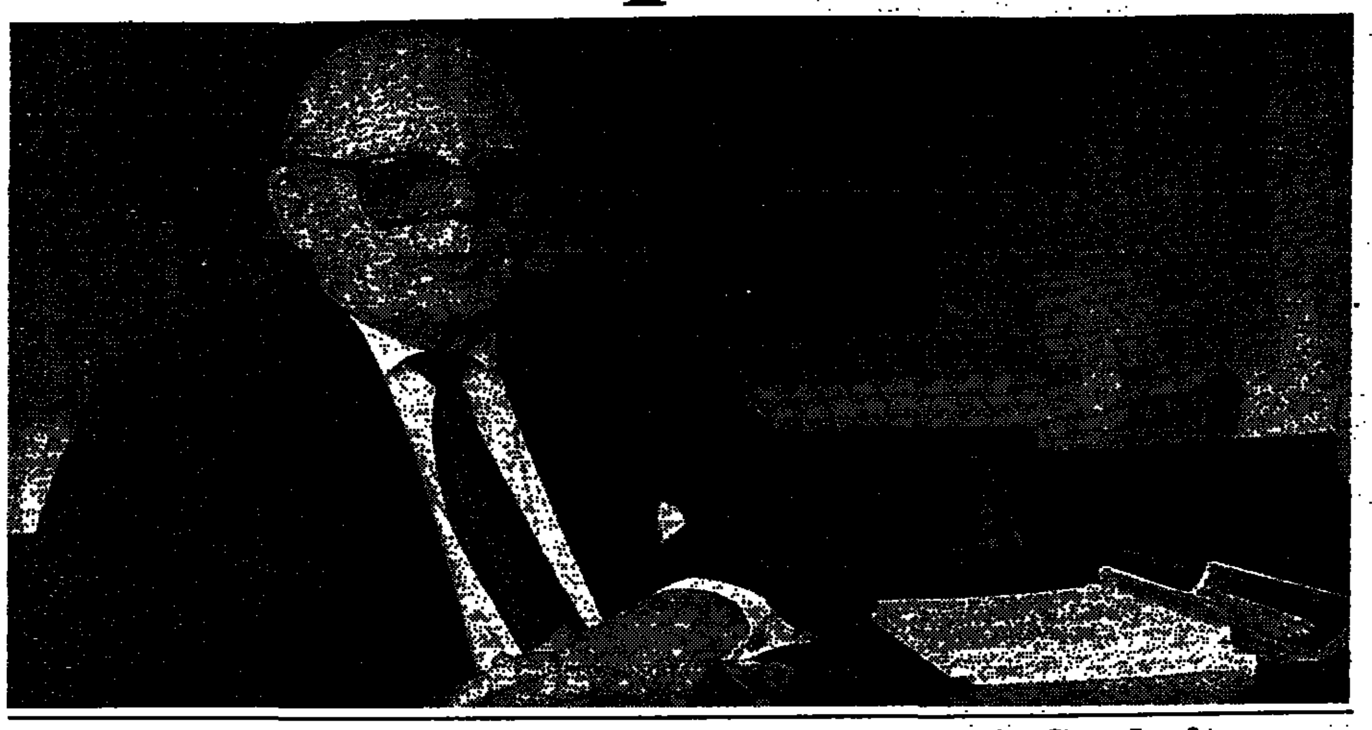
The report delicately skirted the question of whether such a concentration of power is desirable. But it poses a dilemma for Sweden's egalitarian Social Democrats who are often taken to task – particularly by their allies, the Communists – for allowing such a build-up of power, even though they undoubtedly recognise the enormous importance that the Wallenbergs have had in the post-war development and post-1960s restructuring of Swedish industry.

The relationship between the Social Democrats and the banking/industrial empire has clearly changed since Peter took over on the death of his father Marcus in 1982. While Marcus was happy to drop by the Prime Minister's office whenever he felt inclined to sound out a few ideas, Peter makes no secret of his feelings about the government. "I've never made it a habit to drop by the Prime Minister's office. Industry has to solve its own problems and I don't believe one should run to government at the drop of a hat."

So are the Social Democrats no longer the friends they once were to Swedish industry? "I find it very difficult to read their minds. It seems to me that the Social Democrats feel forced to satisfy the whims and desires of the majority of people first and that industrial problems often have to take second place."

Nor is he a great admirer of the actions of the present Finance Minister, Mr Kjell-Olof Feldt, which are generally popular in Swedish financial circles. They are credited with helping to put the Swedish economy back on its feet since 1982, with the help of tax increases, a hefty devaluation, and a fortunate fall in the oil price and dollar.

Instead, Peter Wallenberg points to the "unacceptable" Swedish disease of rising inflation and wage increases well above the OECD average, which the finance minister seems powerless to bring down. He says the remedy has been to raise taxes to a level unequalled in the history of the industrial world and adds that Swedish industry may well be forced to increase its investments abroad, especially if the government takes too long in sorting out its relations with the EC.



'It is becoming impossible to produce economically in Sweden'

"It is becoming increasingly impossible to produce locally in Sweden economically in many areas of industry. Swedish industry is very nationalistic but it might end up having to close down factories in Sweden," he warns.

Stimulated by the overall strong performance of Swedish companies, unions have set their wage demands high. "Right now, Swedish companies are doing well because of the business conditions in the outside world. But the profits actually generated here in Sweden are minuscule in international companies like Electrolux, Atlas Copco, Alfa-Laval, and SKF," he says.

His latest plan has been to analyse the percentage profit generated in Sweden with the aim of linking this to wage increases in Sweden. This looks like a move guaranteed to annoy the unions and government. "Perhaps that's exactly what we need," he says. "How can we compete with Japan otherwise?"

Mr Wallenberg gives the impression that he rather likes being the maverick shaking things up in the staid, monochrome world of Swedish politics. As Chairman of the Federation of Swedish Industries, he recently suggested Sweden should actually consider joining the EC – a suggestion which in Sweden at least is like a red rag to a bull.

His early career bears out this contrary streak. His elder brother Marc followed family tradition by joining "The Bank" (Stockholms Enskilda Banken merged in 1972 with Skandinaviska Banken, a private commercial bank, to form the quoted Skandinaviska Enskilda Banken in which the Wallenbergs have a 5 per cent stake). But Peter opted to go into industry instead.

When he eventually took over as head of the Wallenberg empire, critics expressed doubts over Peter's ability to step into his father's shoes. Stung by their premature judgement, his reaction, according to one close associate, was: "I'll damn well show them."

He had started his career as a salesman at Atlas Copco, at the time a small mining equipment company, and clearly enjoyed the work, driving around Rhodesia in a clapped-out van. There is a hint that he preferred it to the global jetting he does today, cultivating international contacts in business and politics.

"Selling is a fabulous job. I spent three years out in Rhodesia and I was on the telephone once to Sweden – I think the call lasted about three minutes . . . I will never be a banking expert, but 21 years in everyday industrial life, working from a very low level, is an asset. It makes it easier to understand industrial problems and judge people's performance because I know roughly what people can do."

He describes himself as a "hands-off" type of owner "but that does not exclude moments of hands-on." Predictably, comparisons are always drawn between father and son. "Like Marcus, Peter is very hard-working, straightforward, but he has a rather un-Swedish sense of humour," says one manager who has worked with both generations.

At any rate, Peter has continued the Wallenberg tradition of picking strong managers. His father chose people like Hans Werthen, who during his time at Electrolux has helped to restructure the white goods industry, and Percy Barnevik and Curt Nicolin, who together engineered last year's merger of Asea with Brown Boveri of Switzerland, a move aimed at restructuring the European electrical engineering industry.

Peter has added Bo Berggren, a friend for many years, to the ranks of Wallenberg managers and made him chief executive of Stora, the forestry group. Since then, Stora has pulled off three big deals, taking over Billerud, Papyrus, and this spring, Swedish Match – its most daring move as it decided to expand its activities in the packaging business.

"I'm very keen to have managers with the general capacity to look beyond the immediate operations of the company and see it in a wider perspective." It is said he prefers those with a low profile (the Wallenberg motto is *Esse non videri* – To be, not to be seen), and trusts those "with a bit of dirt under their nails" as opposed to banking types.

Though the Wallenbergs can still hold together an industrial empire – relying on personal influence, loyal boards of directors and top executives to keep control – they have had to step up the size of their minority holdings to fend off unwelcome raiders.

Even though Sweden's pattern of industrial ownership has remained extraordinarily stable in its upper echelons, the last decade has seen the emergence of new financiers and stock market investors. (Such people include Erik Penser, who controls Nobel Industries, and Anders Wall, who controls the Beijer industrial and financial group.) There has also been a rapid growth in turnover on Stockholm's once sleepy stock exchange. This has forced the Wallenbergs, through the investment companies Investor, Providentia, and Export-Invest, to tighten their grip on industrial companies like Asea by increasing the size of their strategic holdings.

But this has not prevented newcomers from taking stakes in the Wallenberg companies. For a start, Peter had to extricate himself from a deal made by his father shortly before his death which gave Volvo 25 per cent holdings in Atlas Copco and Stora while the Wallenberg investment companies acquired a stake in Volvo. By doing so, Marcus appeared to be disowning his son and to have chosen Pehr Gyllenhammar, the Volvo chief, as his successor.

Peter's response was to buy up shares in Volvo, eventually forcing a "mutual agreement" to disinvest soon after. The deal cost Wallenberg SKr3bn. Another clash occurred between the two men over the chairmanship of Skandinaviska Enskilda Banken, with both seeking to win the post. The board finally selected a compromise candidate, Curt Olsson.

Though Swedish business circles are not given to unfriendly takeovers, there have been other stealthy moves, like Trelleborg's decision to buy 10.1 per cent of SKF, and the Lundberg family's purchase of a 25 per cent stake in Alfa-Laval.

But ask Peter about intruders and he scoffs. "Do you expect me to sell out?" Nobody really does. The next generation, his and Marc's sons, both in their early 30s, are being groomed at the bank and are expected to take over the reins eventually.

Freedom of expression depends on reform

JUSTINIAN

When the British Government unfolds its legislative programme for the coming session of Parliament in the Queen's *Speech tomorrow*, it will be looking for parliamentary blessing to new laws touching directly on some fundamental freedoms of human rights. Yet, whence do parliamentarians today find their text for matching statutory provision against the basic freedoms upon which our democracy is based?

After a longueur of universal criticism of Section 2 of the Official Secrets Act 1911, that makes even the most trifling piece of information officially secret and makes unauthorised disclosure a criminal offence on the part of anyone who parts with possession of the official secret, the Home Secretary is producing a bill that may have at least by comparison the dubious virtue of being legally workable.

The essence of such legislation is to know precisely where to draw the line between information which by common consent affects national security and national interest and information which can and should be freely available. *If one starts* from the premise of government by secrecy then it is mainly a question of liberating only that information which it is safe to open up. If, on the other hand, one starts from a basic principle of freedom of information, then the task of the legislator is to restrict to a minimum that which cannot safely be revealed for public scrutiny. There is, however, no constitutional guarantee of freedom of expression in this country. Indeed the failure of successive governments to bring in a freedom of information law has enabled them to promote in the name of "reform" ever more restrictive measures, such as the law of confidentiality and the contempt laws, and to resist any removal of the more strict rules relating to the law of libel.

A very different piece of prospective legislation in the coming months will provide much the same predicament for members of parliament. The long-awaited child care legislation, following hard on the heels of divisive public views about the Cleveland Inquiry and other child abuse cases, will involve some acute issues. Almost all the projected changes come up against the rival principles of a child's need to be protected by officialdom against parental cruelty or neglect and the rights of parents to bring up their own children without interference from authority, unless social intervention is very positively indicated. Nowhere does English law emphatically state the freedom of respect for family life (although the courts do appear to base their decisions on such a principle) and the *legally enforceable right* of a child – a right that is separate and distinct from the parent, which the law will protect at the instance of a third party. English law has so far been hesitant to endorse such a fundamental right.

Our legal system is rooted in the common law of England, developed over the centuries by the courts and in recent years declared, amplified or supplemented by piecemeal acts of Parliament and delegated legislation from government departments. Not much of the common law remains left untouched, but statute law is largely uncodified and legal principle is deducible only from particular rules. The common law has exhibited a robust and health measure of individual autonomy and personal security, by declaring basic principles of freedom that are commendable but increasingly are seen to be insufficiently comprehensive and inadequate. Unlike the US, no written constitution containing a Bill of Rights that is judicially enforceable exists in this country or even an ordinary enactment setting down the fundamental freedoms to guide legislators and courts. None appears, moreover, to be forthcoming. *Although the Prime* Minister is reported as saying that before Britain could engage in a conference on human rights in Moscow in 1991, "freedom must be statutory" in the Soviet Union, the present government apparently thinks that this country can live happily in freedom without precise legislative precept.

Lord Scarman has once again proclaimed his firm commitment to Britain's need for constitutional reform, if only to protect ethnic minority rights. The problem for the *public is to know* what precisely is being proposed by the growing body of constitutional reforms. *Is it* a Bill of Rights with complete entrenchment and a constitutional court, like the US Supreme Court, validating or invalidating legislation that impinges on fundamental freedoms? Or would it be a Bill of Rights that would have favoured status over other legislation short of full entrenchment? Or could it have a more *modest role as a potential* corrective only over earlier legislation; in other words, could Parliament in the future legislate even to override fundamental rights? Whatever model were selected, there would at least be available in written form, for easy reference and application by executive, legislature and judiciary, the civil liberties to which we all verbally subscribe but to which some pay only lip service.

This year has witnessed the commemoration of the third centenary of the Glorious Revolution of 1688. That was an historic victory whereby absolute power shifted from the king into the hands of Parliament. It was a victory largely achieved by the courts asserting themselves on behalf of Parliament against monarchical power. It may be that what the courts did for Parliament three centuries ago should be repaid by Parliament seeking to control executive *government through the judiciary*. But only Parliament can ensure such a constitutional sea-change.

FINANCIAL TIMES

TOP 500

1988

THIS IS the seventh year in which the FT TOP 500, a survey of Europe's biggest companies, has been conducted.

The main list looks at all publicly quoted European companies, and ranks the 500 biggest by market capitalisation, taken as an average for the month of June this year and translated into US dollars.

A second list ranks the top 500 companies in the UK stock market, which is by far the biggest in Europe.

A company's capitalisation is the number of its shares multiplied by the price of its shares, and therefore measures the value of a company in the eyes of investors.

It is chosen as a yardstick because it has a number of advantages over other methods. It is a good guide to performance over time; it gives a proper weighting to banks, whose positions are distorted in lists based on turnover; and it takes proper account of loss-making companies which disappear from lists based on profits.

The stock market varies from one country to another. It is particularly important in the UK, whereas in West Germany the banks play a larger role in corporate finance, and in France and Italy many of the biggest groups are state-owned.

To take account of these factors, a separate list is included of the top 100 European concerns, whether publicly or privately owned, ranked by turnover.

The Top 500 tables analyse the key figures on each company included – turnover, profits, return on capital employed, and the number of employees.

Other tables list the biggest employers, look at the most profitable stock market sectors, and list the biggest profit increases and decreases.

There is a also a separate table ranking the top 100 UK investment trusts by market capitalisation.

☐ Familiar names drop out of the list
☐ Volatility and M&A leave their mark
☐ Europe rolls back the public sector

'Get big' the cry as 1992 approaches

TWO BOLD themes – share price *volatility and takeover* (and merger activity have stamped an indelible mark on this year's FT Top 500, an annual survey of the leading European companies ranked according to stock market capitalisation.

If not entirely unprecedented, both themes have been intense enough to send economic historians hunting through the record books. Taken together, they have had a quite dramatic impact, distorting the rankings in many instances and making for a wholesale clear-out of once-familiar company names.

The collapse of stock markets worldwide in October 1987 has historic parallels, notably 1929-30 in this century. But there can have been few occasions when takeover and merger activity in Europe has worked itself up into quite such a fever.

The proximity of 1992, and the formation of a single European Community market, has been an obvious influence on the deal-makers. Whole industries have been forced to think hard about market share and competition, and in the process the rush to get big has created an avalanche of takeovers, mergers and co-operation deals.

But, in a perverse way, stock market weakness has supplied equal impetus. Investors may have been scared off equities by the traumas of 1987, but for *the corporate* world the share price shakeout created a clear-cut opportunity – and it is one that Europe in particular was quick to seize.

Leap-frogging national boundaries became a favourite game, with business leaders right across the continent suddenly seeing themselves as operators on an international scale. According to Price Waterhouse, European Community companies spent more than three times as much on foreign businesses as North American companies in the 12 months to June 1988. And during the first half of 1988 there were no fewer than 19 trans-national takeovers worth $500m or more.

500 capitalisation by country

UK	518,536.0
Germany	155,033.4
France	103,545.4
Switzerland	97,836.6
Netherlands/UK	66,581.7
Italy	60,717.2
Sweden	52,386.7
Spain	45,521.4
Belgium	38,794.0
Netherlands	31,289.0
Finland	19,601.8
Sweden/Switzerland	5,874.3
Ireland	5,136.6
Denmark	4,506.4
Norway	4,503.6
Austria	1,688.3

Many observers pinpoint corporate share-buying as the main reason for the recovery in bourse values through most of 1988. This investment pattern has been strongly apparent in Europe. Recent research by Salomon Brothers suggests that the buying of strategic holdings by companies, excluding takeovers, accounted for some 60 per cent of the cash supply to European stock markets since January 1988.

For the FT Top 500, this high level of deal-making has meant a plethora of new big names, notably LVMH in France, Asea-Brown Boveri in Sweden and Switzerland, and a number of big newly-formed Spanish banking groups. At the other end of the scale, relegation has been less painful than usual. More than 8 per cent (41 companies) fell out of the rankings, but many – Hill Samuel and Equity and Law Life, in the UK, and Telemecanique in France – reappeared in a new guise as a result of takeovers.

The top tier has had its shaky moments, despite the now traditional attempt to present an unchanging face. Once again Royal Dutch/Shell is first, capitalised at $51bn, a sixth less than its share market value 12 months earlier; and there are no surprises in the fact that British Telecom and British Petroleum are second and third.

In fact, the whole top 20 is a repeat of the previous year's rankings, except for the inclusion of Hoechst, the West German chemicals group, and BTR, the UK diversified industrial group.

But there have been some surprisingly steep movements within the overall line-up: shrugging off the weakness of the Italian stock market, Fiat has moved up from ninth to fourth place; Siemens, which cut its dividend and sent German investors diving for cover, has dropped from seventh to 13th.

But, as always, the reader will more readily wish to focus on the sharpest movements in absolute terms, and last year pride of place went to Williams Holdings. This fast-growing UK paint conglomerate pushed its market value up by 160 per cent, and in the process leapt from 466 to 213 in the rankings.

In fact, the companies that make up the 20 fastest gains represent a fairly true reflection of the influences most readily at work during the FT 500 year. Financial companies, buoyed up by the upsurge in demand for financial services of all kinds, dominate the the list, accounting for roughly one third of the top 20. And the impact of bid activity, plus the scramble for market share, is also very apparent.

Rowntree, Savoy Hotel and Société Générale de Belgique will quickly be spotted as takeover candidates, in fact as well as fiction. Carlsberg, which also takes in the Tuborg label, has clearly gained from strategic share buying within the industrial drinks brand business. Finnish companies, which fall outside the jurisdiction of the FT Actuaries indices mostly on account of the curious two-tier share structure of the Helsinki bourse, are strongly in evidence.

In many ways the backmarkers are equally predictable. Close to one-third of the 20 steepest falls are Italian companies, with retail chain Rinascente pulling up short at the very bottom, having tumbled from 339 to 487. Hit by a currency-led slump in exports to the US, Jaguar fell a headlong 134 places but at least managed to avoid the ignominy of Porsche, its West German carmaking rival, which slipped out of the listaltogether.

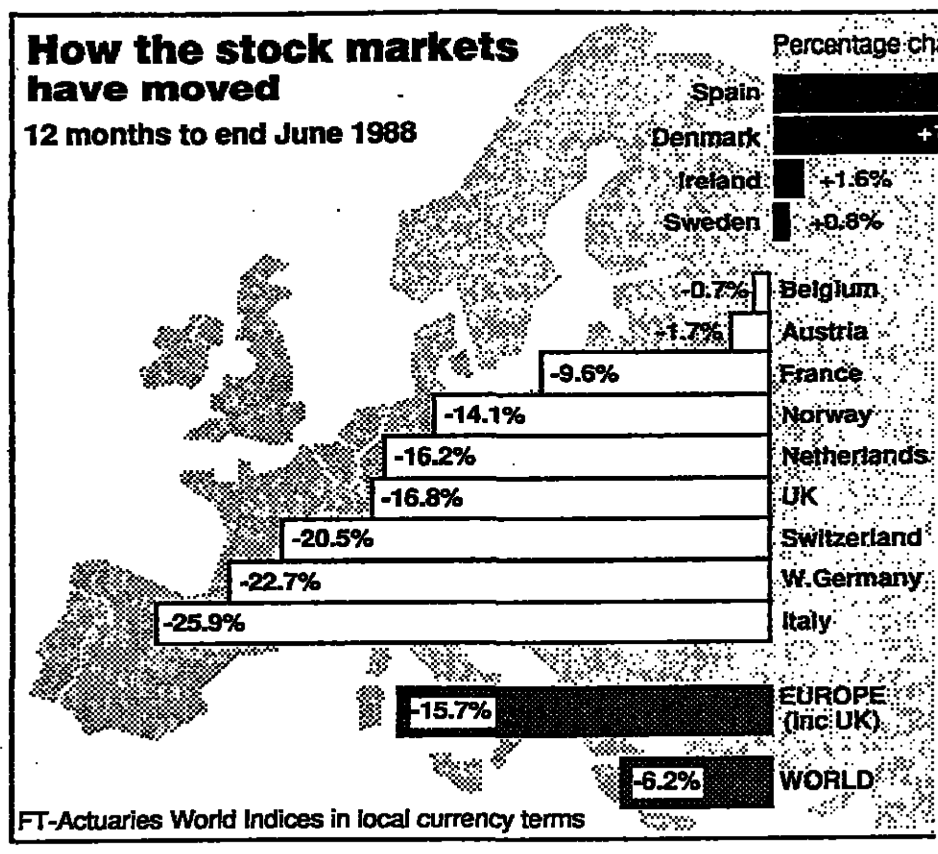
Other notable absences this time round include Norsk Data, one-time Norwegian computer high-flyer which stood at 307 in the 1986-87 rankings, and Oce van der Grinten, the Dutch copier group. Laura Ashley, the UK fashionwear and furnishings group, made a less high-tech but equally sad departure.

The FT Top 500 also reflects the way the public sector continues to be steadily rolled back right across Europe. France and the UK were again at the forefront of the trend. Société Générale and Suez, the two big banking and financial groups, headed the list of French privatisations. Capitalised at $3.4bn, SocGen waded *straight into the Top 100 list*. Newly floated in July 1987, BAA led the UK new-issue contingent.

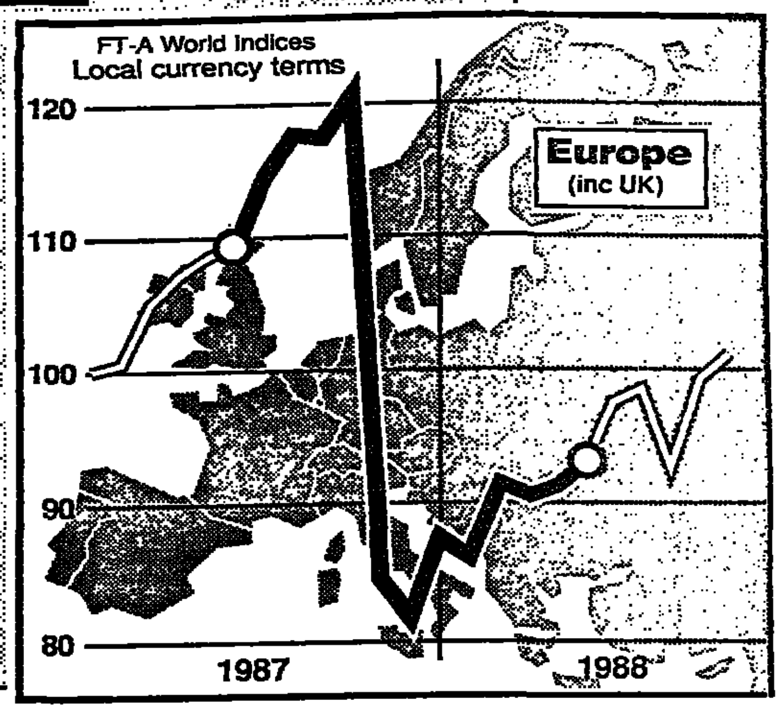
It is early days yet, but next year's FT Top 500 promises to make equally exciting reading. In the aftermath of the US presidential election, economic doubts have begun to crowd in upon the dollar, and world stock markets are once again holding their breath. But the takeover pace remains relentless: in recent weeks Société Générale, for one, has acquired an unwelcome big new shareholder. Europe's corporate backyard is still a place stalked by entreprenurial giants.

Jeffrey Brown

☐ *Statistics for this survey were* compiled by Anne-Britt Dullforce, Neil McDonald and Rupert Arlow. The survey was co-ordinated by Jeffrey Brown.



Jointly compiled by The Financial Times Ltd., Goldman,Sachs & Co., and County NatWest/ Wood Mackenzie in conjunction with the Institute of Actuaries & the Faculty of Actuaries



Europe's biggest employers

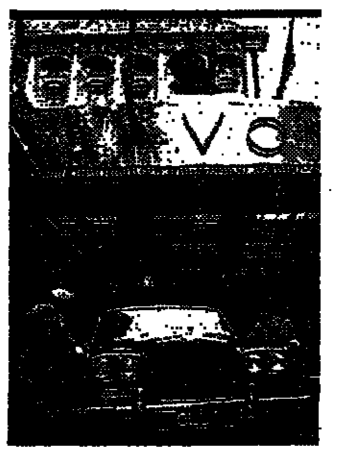
Rank	Company	Country	Sector	Top 500 Rank	No. of employees
1	Siemens	Ger	541	13	359000
2	Philips	Ger	541	59	336700
3	Daimler Benz	Ger	401	6	326700
4	Unilever NV/PLC	Nuk	451	5	294000
5	Fiat	Ita	401	4	270578
6	Volksagen	Ger	401	79	260458
7	British Telecom	Uk	223	2	237205
8	CGE	Fra	221	83	219500
9	BAT Industries	Uk	171	14	168949
10	Hoechst	Ger	622	19	167781
11	Asea Brown Boveri	Swe/i	541	40	166768
12	Bayer	Ger	622	16	164100
13	Nestle	Swi	451	8	163030
14	Peugeot	Fra	401	44	160600
15	General Electric	Uk	541	29	157262
16	Royal Dutch/Shell	Nuk	212	1	136000
17	BASF	Ger	622	24	133759
18	Saint Gobain	Fra	611	70	131324
19	Grand Metropolitan	Uk	421	28	129436
20	ICI	Uk	622	10	127800
21	British Petroleum	Uk	212	3	126400
22	Lonrho	Uk	171	178	124484
23	Thyssen	Ger	633	132	123400
24	BET	Uk	171	111	118103
25	Mannesmann	Ger	566	150	113274

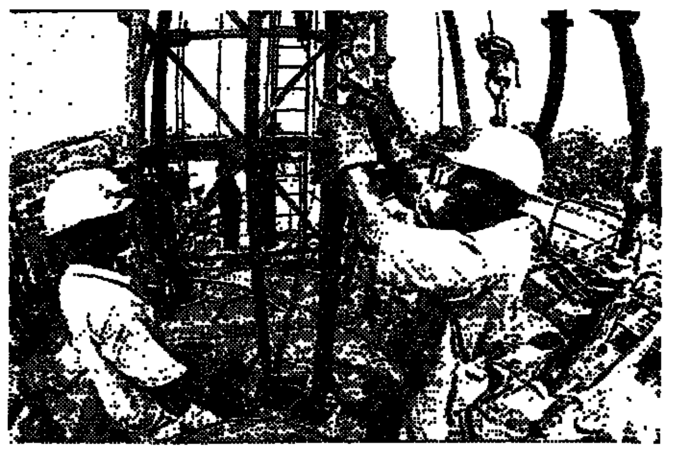
$ Exchange rates (June averages)

Currency	1988	1987	% change	1986
Austrian Schilling	12.3585	12.7831	-3.32	15.6977
Belgian Franc	36.7523	37.6818	-2.47	45.619
Danish Kroner	6.6821	6.8457	-2.39	8.2734
Finnish Markka	4.1628	4.4187	-5.79	5.2778
French Franc	5.9294	6.0728	-2.36	7.1185
German Mark	1.7571	1.8186	-3.38	2.2241
Irish Punt	0.6553	0.6789	-3.48	0.7367
Italian Lira	1304.647	1315.84	-0.85	1531.24
Netherlands Guilder	1.976	2.0482	-3.53	2.5113
Norwegian Kroner	6.3866	6.7057	-4.76	7.6037
Spanish Peseta	116.2091	126.261	-7.96	142.806
Swedish Kronor	6.0967	6.3393	-3.83	7.2021
Swiss Franc	1.4619	1.508	-3.06	1.8396
UK Sterling	0.563	0.6139	-8.29	0.6628

CONTENTS

☐ *Reprints of this survey (price £12) will be available in January from the Financial Times, Reprints Department, Bracken House, Cannon Street, London EC4P 4BY.*





Royal Dutch/Shell, British Telecom and British Petroleum retained the top three spots, while lower down the list the Savoy Hotel leapt more than 100 places

FT TOP 500 *EUROPE* II

The basis for the lists

☐ RANKINGS

The rankings of the European and UK Top 500 tables are based on market capitalisation at the end of June 1988. Preference capital has been excluded from this calculation.

Companies that have 70 per cent or more of their equity held by one other concern, or that have only a minimal proportion of their capital openly traded on the stock market, have been excluded from the list.

The capitalisation figures have been obtained from a variety of sources, including Datastream International, local stock exchanges and the FT World Actuaries Index.

The ranking of companies having the same capitalisation has been determined by reference to their turnover or, where necessary, their profit.

All figures in the European tables are expressed in dollars, using June average exchange rates. All figures in the UK table are in sterling.

☐ ACCOUNTS

Consolidated accounts have been used whenever possible. When parent company accounts only have been reported, these figures have been used and annotated.

Turnover is shown net of sales taxes and inter-group sales. A ranking based on the latest year's figure is also given.

Profit is disclosed before tax and minority interest. For the UK companies it is also before extraordinary items.

Return on capital employed (ROCE) is based on capital employed at the beginning of the financial year divided by pre-tax profit plus interest. For banks, capital employed = shareholders' funds.

☐ UK INVESTMENT TRUSTS

The rankings of the Investment Trust table are based on market capitalisation at the end of June 1988. The shareholders' funds figure is based on the number of shares in issue and the stated net asset value. This table has been compiled with the assistance of County NatWest/Wood Mackenzie.

EUROPEAN TOP 500 SECTOR CODES (FT-ACTUARIES WORLD INDICES)

112 Commercial Banks and other Banks
120 Financial Institutions & Services (Composite)
121 Financial Institutions
122 Financial Services
131 Investment Companies
140 Insurance - Life & Agents/Brokers (Composite)
141 Insurance - Life
142 Insurance - Agents & Brokers
150 Insurance - Multiline/Property & Casualty (Comp)
151 Insurance - Multiline
152 Insurance - Property & Casualty
161 Real Estate
171 Diversified Holding Companies
181 Investment Trusts
201 Non Oil Energy Sources
202 Energy Equipment & Services
210 Oil (Composite)
211 Oil - International
212 Oil - Crude Producers
214 Petroleum Products including Refineries
220 Electric and Gas Utilities (Composite)
221 Electric Utilities, Water Works and Supply
222 Natural Gas Utilities
223 Telephone Companies
301 Air Transport Carriers
302 Freight Forwarders
303 Sea Transport
304 Rail & Road Transport
306 Storage, Warehousing & supporting Transport serve
401 Automobiles
402 Household Durables & Appliances
406 Diversified Consumer Goods/Services
410 Textile and Wearing Apparel (Composite)
411 Apparel
412 Textile Products
413 Footwear
420 Beverages Industries/Tobacco manufacturers (Comp)
421 Beverages - Brewers
422 Beverages - Distillers
424 Beverages - Soft drinks
425 Tobacco manufacturers
430 Health & Personal Care (Composite)
431 Health Care
432 Cosmetics
433 Drugs
434 Hospital Supply/Management
440 Agriculture & Fishing
450 Foods & Grocery Products (Composite)
451 Food Processors
452 Food - Sugar/Confectionery
460 Entertainment/Leisure/Toys (Composite)
[illegible]

THE TOP 500 EUROPEAN COMPANIES BY MARKET CAPITALISATION

Ranking 1988 (1987) company	country	Market Capital $m	Sector	Rank	Turnover This year $m	Turnover Last year $m	Turnover per cent change	Profit This year $m	Profit Last year $m	Profit per cent change	ROCE	employees	Year end
1 (1) Royal Dutch/Shell	Net	51,015.0	212	1	84,866.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	31.12.87
2 (3) British Telecom	Uk	[illegible]	223	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 (2) British Petroleum	Uk	[illegible]	212	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 (9) Fiat	Ita	[illegible]	401	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 (6) Unilever NV/PLC	Net	[illegible]	451	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 (55) Land Securities	Uk	5,078.7	161	–	–	–	–	237.3	214.2	10.8	6.9	438	31.3.88
47 (143) Societe Generale de Belgique	Bel	4,988.2	171	37	9,164.2	9,278.7	-1.2	353.8	313.9	12.7	7.0	–	31.12.87
48 (41) Zurich Insurance	Swi	4,871.1	152	–	–	–	–	175.7	166.0	5.8	–	Y 25,160	£ 31.12.87
49 (50) Guinness	Uk	4,870.5	421	80	5,005.3	5,508.0	-9.1	724.7	667.9	8.5	21.1	24,919	* 31.12.87
50 (111) Banco Central	Spa	4,779.3	112	–	–	–	–	313.4	267.2	17.3	@ 20.3	y 18,051	31.12.87
51 (48) Bass	Uk	4,761.5	421	68	5,707.6	4,813.0	18.6	648.3	551.3	17.6	22.9	79,348	30.9.87
52 (46) Great Universal Stores	Uk	4,676.6	495	91	4,202.7	4,069.1	3.3	612.8	528.8	15.9	17.9	33,267	31.3.87
53 (-) LVMH	Fra	4,600.8	422	170	2,234.1	1,884.2	18.6	442.0	382.7	15.5	31.9	y 12,311	* 31.12.87
54 (40) Munchener Ruckversicherungs	Ger	4,516.0	152	–	–	–	–	107.1	94.6	13.2	–	–	30.6.87
55 (53) Lloyds Bank	Uk	4,423.8	112	–	–	–	–	440.5	1,243.3	-64.6	< 13.1	y 76,186	31.12.87
56 (42) Bayerische Motoren Werke	Ger	4,328.2	401	29	11,074.9	9,968.0	11.1	491.5	573.0	-14.2	12.9	y 62,794	31.12.87
57 (72) Volvo	Swe	4,295.3	401	21	15,175.4	13,792.7	10.0	1,478.0	1,235.1	19.7	23.8	Y 67,857	31.12.87
58 (73) BSN Groupe	Fra	4,292.6	451	59	6,266.4	5,670.6	10.5	472.4	379.0	24.7	21.1	y 41,285	31.12.87
59 (35) Philips	Net	4,257.6	541	8	26,677.6	27,852.7	-4.2	519.2	1,024.3	-49.3	6.8	y336,700	31.12.87
60 (140) Cadbury Schweppes	Uk	4,245.3	451	108	3,607.5	3,268.0	10.4	312.8	232.1	34.7	27.3	12,620	02.1.88
61 (147) Midland Bank	Uk	4,223.1	112	–	–	–	–	897.0	770.9	-216.4	a –	58,778	31.12.87
62 (165) Banco Espanol de Credito	Spa	4,170.2	112	–	–	–	–	259.7	–	–	@ 22.1	16,426	£ 31.12.87
63 (173) Rowntree	Uk	4,079.0	451	157	2,535.7	2,292.0	10.6	199.1	149.2	33.5	20.2	33,120	02.1.88
64 (69) Tesco Stores (Holdings)	Uk	4,040.1	493	50	7,316.3	6,381.9	14.6	409.6	312.4	31.1	29.2	71,262	27.2.88
65 (56) L'Air Liquide	Fra	4,008.2	621	97	3,956.6	3,534.8	11.9	511.3	436.7	17.1	17.7	y 26,000	31.12.87
66 (57) P & O Steam Navigation	Uk	3,969.1	303	79	5,186.9	3,519.9	47.4	487.9	309.2	57.8	20.7	48,126	31.12.87
67 (66) Thomson-CSF	Fra	3,966.6	551	63	6,026.4	6,008.5	0.3	591.5	475.9	24.3	27.2	y 46,700	31.12.87
68 (80) Consolidated Gold Fields	Uk	3,926.6	631	230	1,535.5	1,586.7	-3.2	434.1	197.0	120.4	28.7	12,486	30.6.87
69 (59) Reed International	Uk	3,920.6	652	110	3,571.9	3,463.6	3.1	431.6	357.0	20.9	36.3	31,300	31.3.88
70 (100) Saint Gobain	Fra	3,835.5	611	25	13,304.4	13,108.3	1.5	1,006.5	572.2	75.9	20.3	y131,324	31.12.87
71 (75) RWE	Ger	3,824.5	221	20	15,748.6	16,687.3	-5.6	1,465.7	1,299.4	12.8	10.8	68,813	30.6.87
72 (68) Nationale Nederlande	Net	3,799.2	151	–	–	–	–	467.3	432.7	8.0	–	22,691	31.12.87
73 (120) Racal Electronics	Uk	3,783.8	551	161	2,427.7	2,292.8	5.9	245.1	178.1	37.6	19.8	31,910	31.3.88
74 (76) *Paribas*	Fra	3,778.8	112	–	–	–	–	659.9	657.9	–	@ 13.6	–	31.12.87
75 (61) Boots	Uk	3,731.1	494	83	4,790.6	4,177.1	–	474.6	431.3	–	27.6	72,073	* 31.3.88
76 (52) Dresdner Bank	Ger	3,724.7	112	–	–	–	–	552.0	593.9	-7.1	@ 15.3	y 38,116	31.12.87
77 (136) Banco de Bilbao	Spa	3,710.6	112	–	–	–	–	440.6	326.5	34.9	@ 43.0	y 18,386	* 31.12.87
78 (166) Banco de Vizcaya	Spa	3,708.8	112	–	–	–	–	393.8	279.6	40.8	@ 42.5	–	31.12.87
79 (43) Volkswagen	Ger	3,599.1	401	4	31,093.8	30,046.3	–	664.3	638.9	4.0	9.1	260,458	31.12.87
80 (107) Jacobs Suchard	Swi	3,575.7	451	94	4,175.2	3,581.4	16.6	286.1	193.6	47.8	18.6	Y 16,053	31.12.87
81 (60) Olivetti	Ita	3,540.5	534	70	5,653.3	5,608.4	0.8	412.0	552.2	-25.4	13.1	y 58,087	31.12.87
82 (93) Trusthouse Forte	Uk	3,519.9	464	127	3,158.1	2,623.4	20.4	319.7	241.6	32.4	13.5	71,000	31.10.87
83 (131) CGE	Fra	3,502.9	221	13	21,496.4	13,644.4	57.5	891.8	417.6	113.6	13.8	y219,500	31.12.87
84 (122) Norsk Hydro	Nor	3,481.3	214	41	8,534.0	8,198.4	4.1	421.8	12.7	3425.9	13.1	y 39,139	31.12.87
85 (74) BOC Group	Uk	3,478.9	622	111	3,479.8	3,454.0	0.7	467.5	151.7	208.2	16.9	37,488	30.9.87
86 (70) Royal Insurance	Uk	3,458.3	151	–	–	–	–	486.7	541.4	-10.1	r –	11,504	31.12.87
87 (89) Sun Alliance & London Insur.	Uk	3,457.9	151	–	–	–	–	304.6	320.4	-4.9	r –	12,707	31.12.87
88 (-) Societe Generale	Fra	3,441.2	112	–	–	–	–	631.3	678.9	-7.0	@ 25.6	33,629	* 31.12.87
89 (63) RAS	Ita	3,364.1	151	–	–	–	–	47.2	47.9	-1.4	–	y 3,527	31.12.87
90 (101) Midi (Cie)	Fra	3,343.9	171	–	–	–	–	376.1	432.6	-13.1	23.5	–	* 31.12.86
91 (67) Fondiaria La	Ita	3,249.5	151	–	–	–	–	111.6	138.4	-19.4	–	y 4,604	31.12.87
92 (71) Sears	Uk	3,234.6	492	92	4,191.3	4,405.5	-4.9	436.4	388.5	12.3	20.1	63,065	31.1.88
93 (145) Ladbroke Group	Uk	3,232.9	461	104	3,792.9	3,136.1	20.9	284.5	179.9	58.1	16.3	32,167	31.12.87
94 (110) Svenska Cellulosa	Swe	3,226.9	651	154	2,571.7	2,495.9	3.0	376.4	266.9	41.1	21.2	17,020	31.12.87
95 (126) Thorn Emi	Uk	3,208.2	461	74	5,424.5	5,689.5	-4.7	400.2	283.3	41.3	19.8	66,630	31.3.88
96 (64) Swiss Reinsurance Group	Swi	3,203.0	151	–	–	–	–	229.8	207.3	10.9	–	y 14,484	31.12.86
97 (129) Skanska	Swe	3,196.1	613	134	2,973.7	2,483.5	19.7	292.1	171.6	70.3	18.5	y 29,418	31.12.87
98 (108) Stora	Swe	3,174.3	651	118	3,359.2	3,148.1	6.7	422.2	303.4	39.1	22.7	21,530	31.12.87
99 (79) Asda Group	Uk	3,159.0	493	81	4,846.5	4,737.3	2.3	387.7	347.2	11.7	27.8	45,035	* 30.4.88
100 (62) Reuters Holdings	Uk	3,143.9	474	229	1,539.8	1,102.8	39.6	317.6	231.1	37.4	66.4	8,608	31.12.87
101 (94) L'Oreal	Fra	3,139.4	432	114	3,389.0	3,057.6	10.8	297.3	255.4	16.4	27.3	y 26,860	31.12.87
102 (117) Winterthur Versicherung	Swi	3,040.9	151	–	–	–	–	219.5	204.4	7.4	–	13,500	31.12.87
103 (115) Generale des Eaux	Fra	3,023.1	171	39	8,932.9	8,101.8	10.3	324.5	257.1	26.2	13.0	y 7,924	31.12.87
104 (108) Dee Corporation	Uk	3,014.0	493	38	9,136.9	8,594.3	6.3	330.0	341.4	-3.3	24.6	76,431	30.4.88
105 (130) Skandinaviska Enskilda Banken	Swe	3,012.8	112	–	–	–	–	647.7	683.2	-5.2	@ 29.4	8,500	* 31.12.87
106 (85) General Accident	Uk	2,995.7	151	–	–	–	–	363.1	218.8	65.9	r –	12,272	31.12.87
107 (95) MEPC	Uk	2,995.7	161	–	–	–	–	142.5	103.7	37.3	7.8	801	30.9.87
108 (82) Tarmac	Uk	2,984.0	613	101	3,841.9	3,052.0	125.9	471.4	302.8	55.7	38.0	28,031	31.12.87
109 (86) Argyll Group	Uk	2,969.1	493	62	6,056.7	3,780.1	–	311.9	143.2	–	< 40.9	63,247	* 02.4.88
110 (84) Mediobanca	Ita	2,914.6	121	–	–	–	–	162.8	234.9	-30.7	@ 19.2	278	£ 30.6.87
111 (105) BET	Uk	2,914.2	171	109	3,579.2	2,800.0	27.8	384.4	279.6	37.5	34.3	118,103	02.4.88
112 (49) Nixdorf Computer	Ger	2,913.0	531	141	2,885.8	2,562.5	12.6	188.2	175.5	7.2	11.2	y 29,440	31.12.87
113 (251) Banco Hispano Americano	Spa	2,905.5	112	–	–	–	–	67.2	190.8	-64.8	@ 6.7	y 15,044	31.12.87
114 (99) Commerzbank	Ger	2,904.0	112	–	–	–	–	426.0	413.2	3.1	@ 16.0	y 26,640	31.12.87
115 (77) Montedison	Ita	2,894.1	622	32	10,570.7	9,837.1	7.5	669.9	491.3	36.3	9.2	y 66,785	31.12.87
116 (98) Lafarge Coppee	Fra	2,875.1	611	120	3,217.9	2,849.7	12.9	448.8	286.5	56.6	21.5	y 20,014	31.12.87
117 (87) Electrolux	Swe	2,864.4	402	30	11,060.1	8,708.0	27.0	501.9	445.3	12.7	15.1	y 70,000	31.12.87
118 (97) Bayerische Hypo. & Wechsel Bk	Ger	2,858.0	112	–	–	–	–	363.2	338.5	7.3	@ 19.0	y 13,171	31.12.87
119 (81) TSB Group	Uk	2,850.8	112	–	–	–	–	489.3	365.2	–	< 18.3	32,050	* 31.10.87
120 (-) Suez (Compagnie Financiere de)	Fra	2,821.0	112	–	–	–	–	299.9	323.5	–	@ 10.8	58,075	* 31.12.87
121 (121) Rank Organisation	Uk	2,813.3	461	261	1,187.2	1,275.5	-6.9	370.0	291.5	26.9	26.0	19,544	31.10.87
122 (141) Commercial Union	Uk	2,797.0	151	–	–	–	–	302.1	211.5	42.8	r –	18,070	* 31.12.87
123 (83) Pilkington Brothers	Uk	2,774.2	611	95	4,143.7	3,736.1	10.9	536.9	454.7	18.1	24.3	56,700	31.3.88
124 (137) Trafalgar House	Uk	2,770.3	171	103	3,797.0	3,088.8	22.9	289.9	259.0	11.9	19.5	32,301	30.9.87
125 (142) Pearson	Uk	2,769.1	171	213	1,691.3	1,692.0	–	269.6	215.1	25.4	23.8	23,250	31.12.87
126 (132) Solvay et Cie	Bel	2,767.8	622	61	6,084.0	5,885.7	3.4	595.4	503.3	18.3	20.7	44,957	31.12.87
127 (96) Intercom	Bel	2,705.5	221	119	3,322.4	3,570.6	-6.9	477.0	431.2	10.6	9.8	y 8,779	31.12.87
128 (123) Guardian Royal Exchange	Uk	2,670.0	151	–	–	–	–	293.1	255.4	14.7	r –	7,670	31.12.87
129 (119) STC	Uk	2,643.7	551	105	3,670.7	3,434.1	6.9	333.9	238.4	40.1	29.7	34,904	31.12.87
130 (78) Michelin	Fra	2,602.1	574	45	7,915.8	7,813.3	1.3	606.0	433.8	39.7	21.8	y 39,305	31.12.87
131 (128) Legal & General Group	Uk	2,589.5	141	–	–	–	–	121.3	130.6	-7.1	r –	6,158	31.12.87
132 (159) Thyssen	Ger	2,582.9	633	22	15,110.5	18,210.3	-17.0	304.4	432.6	-29.6	6.3	123,400	30.9.87
133 (221) Rodamco	Net	2,578.0	161	–	–	–	–	104.6	56.0	–	< 9.2	–	29.2.88
134 (102) Akzo	Net	2,561.6	622	46	7,859.9	7,902.2	-0.5	688.2	708.0	-2.8	17.4	y 67,400	31.12.87
135 (185) Iberduero	Spa	2,518.2	221	220	1,630.8	1,494.7	9.1	198.3	208.0	-4.7	2.0	–	31.12.87
136 (114) Reckitt & Coleman	Uk	2,494.1	431	150	2,651.1	2,361.2	12.3	297.7	247.7	20.2	35.0	31,800	02.1.88
137 (219) Union Bank of Finland	Fin	2,486.8	112	–	–	–	–	288.2	203.9	41.4	@ 24.4	y 7,898	31.12.87
138 (167) Ranks Hovis McDougall	Uk	2,454.2	451	147	2,742.1	2,511.9	9.2	206.2	174.4	18.2	28.8	35,686	* 05.9.87
139 (237) Enterprise Oil	Uk	2,447.8	213	347	404.8	495.2	-18.3	128.8	90.6	42.2	12.5	177	* 31.12.87
140 (-) BAA	Uk	2,430.9	306	298	930.7	779.8	19.4	294.8	220.2	33.9	19.1	7,795	* 31.3.88
141 (170) Tractebel	Bel	2,355.3	221	311	849.2	720.9	–	225.7	190.5	–	+ 11.9	y 1,610	* 31.12.87
142 (169) Maxwell Communications Corp.	Uk	2,355.2	472	226	1,570.3	820.1	91.5	294.8	142.6	106.7	32.2	16,992	* 31.12.87
143 (149) Whitbread	Uk	2,341.7	421	133	2,999.5	2,760.0	8.7	332.5	282.2	17.8	13.8	49,174	27.2.88
144 (116) Smith & Nephew Associates	Uk	2,336.2	431	294	970.5	852.8	13.8	194.7	156.7	24.3	27.4	14,365	02.1.88
145 (109) Associated British Foods	Uk	2,333.7	451	96	4,035.5	3,911.2	3.2	373.7	338.4	10.4	13.5	53,877	02.4.88
146 (106) Coats Viyella	Uk	2,329.1	412	123	3,187.9	3,108.3	2.6	378.0	322.7	17.1	25.6	68,485	31.12.87
147 (112) Fisons	Uk	2,314.6	433	250	1,279.0	1,178.9	8.5	193.8	151.2	28.2	29.4	10,413	31.12.87
148 (103) Courtaulds	Uk	2,302.1	621	90	4,300.5	4,017.6	7.0	391.8	357.2	9.7	25.9	68,500	31.3.88
149 (242) Banco Popular Espanol	Spa	2,300.4	112	–	–	–	–	327.5	289.1	13.3	@ 57.1	y 11,682	31.12.87
150 (150) Mannesmann	Ger	2,291.7	566	36	9,478.9	9,808.3	-3.4	307.6	253.7	21.2	+ 6.2	y113,274	31.12.87
151 (206) Rothmans International	Uk	2,286.5	425	167	2,305.2	2,656.0	-13.2	513.0	347.2	47.7	27.9	13,991	31.3.88
152 (151) Total	Fra	2,266.7	212	23	14,687.3	16,143.6	-9.0	1,292.5	765.8	68.8	21.9	y 40,513	31.12.87
153 (113) Burton Group	Uk	2,261.5	491	162	2,377.6	2,162.0	10.0	325.8	264.1	23.3	29.8	33,428	31.12.87
154 (155) Royale Belge	Bel	2,259.6	151	–	–	–	–	272.3	410.8	-33.7	r –	4,993	31.12.87
155 (156) United Biscuits	Uk	2,238.5	451	112	3,471.8	3,432.5	1.1	261.1	222.4	17.4	21.4	39,294	02.1.88
156 (92) Astra	Swe	2,212.3	433	296	951.7	877.4	8.5	212.5	188.8	12.5	29.3	y 6,880	31.12.87
157 (138) Woolworth Holdings	Uk	2,199.8	491	99	3,857.9	3,246.9	18.8	314.4	204.8	53.5	20.7	55,783	30.1.88
158 (148) Algemene Bank Nederland	Net	2,199.7	112	–	–	–	–	372.0	397.3	-6.4	@ 14.3	y 29,314	31.12.87
159 (183) Nokia	Fin	2,198.5	533	117	3,362.6	2,881.2	16.7	276.4	183.4	50.7	2.9	y 29,300	31.12.87
160 (124) Bayerische Vereinsbank	Ger	2,169.1	112	–	–	–	–	358.1	368.9	-2.9	@ 17.2	y 12,497	31.12.87
161 (248) Scottish & Newcastle Breweries	Uk	2,139.3	421	221	1,619.0	1,469.8	10.2	200.9	160.4	25.2	3.9	22,092	01.5.88
162 (296) Kansallis-Osake-Pankki	Fin	2,137.0	112	–	–	–	–	209.7	152.6	37.4	@ 22.0	y 8,318	31.12.87
163 (91) AEG	Ger	2,124.1	551	58	6,635.9	6,385.5	3.9	9.1	14.2	36.0	1.8	y 80,499	31.12.87
164 (168) Hillsdown Holdings	Uk	2,117.2	451	75	5,397.2	3,024.2	78.5	195.9	97.5	100.9	26.9	44,102	31.12.87
165 (146) EBES	Bel	2,097.9	221	164	2,353.3	2,426.4	-3.0	302.2	254.7	18.7	15.1	y 25,003	* 31.12.87
166 (118) Plessey	Uk	2,084.2	551	166	2,310.7	2,539.4	-9.0	305.7	327.2	-6.6	23.7	30,138	01.4.88
167 (178) Svenska Handelsbanken	Swe	2,082.8	112	–	–	–	–	427.3	562.1	-24.0	@ 23.3	6,447	31.12.87
168 (144) British Airways	Uk	2,076.4	301	56	6,671.4	5,795.7	15.1	405.0	287.7	40.7	28.6	43,969	31.3.88
169 (104) Alleanza	Ita	2,064.9	151	–	–	–	–	40.0	37.9	5.7	–	–	* 31.12.87
170 (211) Amstrad	Uk	2,064.8	551	302	909.1	540.1	68.3	241.0	133.7	80.2	165.2	875	30.6.87
171 (54) Saab-Scania	Swe	2,056.0	401	55	6,791.1	5,777.2	17.5	587.2	545.7	7.6	21.1	49,596	31.12.87
172 (157) Carrefour	Fra	2,011.6	493	35	9,529.3	8,680.8	9.8	221.8	225.1	-1.5	23.6	40,400	31.12.87
173 (152) Redland	Uk	1,985.6	611	158	2,531.1	1,739.1	45.5	328.8	232.1	41.6	20.0	17,027	26.3.88
174 (133) BPB Industries	Uk	1,981.4	611	228	1,544.8	1,333.0	15.9	323.8	257.0	26.0	40.4	11,810	31.3.88
175 (160) Blue Circle Industries	Uk	1,963.2	611	189	1,898.2	1,950.3	-2.7	275.3	225.6	22.0	13.0	16,624	31.12.87
176 (264) Sydkraft	Swe	1,952.8	221	295	968.1	922.0	5.0	122.9	109.1	12.6	10.3	2,843	31.12.87
177 (201) Kymmene	Fin	1,929.7	651	224	1,600.7	1,914.1	–	192.5	189.2	–	14.8	y 16,800	31.12.87
178 (207) Lonrho	Uk	1,914.6	171	76	5,353.3	4,708.7	13.7	355.6	293.3	21.3	17.3	124,484	30.9.87
179 (181) Hammerson Property	Uk	1,894.1	161	–	–	–	–	96.4	87.6	10.0	6.4	433	31.12.87
180 (174) Amro Bank	Net	1,877.0	112	–	–	–	–	338.1	298.6	13.2	@ 14.3	y 23,709	31.12.87
181 (177) VEW	Ger	1,875.2	221	129	3,094.0	3,474.6	-11.0	214.4	224.7	-4.6	5.6	y 8,074	31.12.87
182 (175) Storehouse	Uk	1,874.2	491	180	2,079.2	1,990.4	4.5	215.1	229.5	-6.3	23.2	32,404	02.4.88
183 (194) Royal Bank of Scotland	Uk	1,869.1	112	–	–	–	–	350.3	327.7	6.9	< 23.8	19,008	30.9.87
184 (153) Heineken	Net	1,859.1	421	116	3,369.8	3,382.8	-0.4	239.8	227.0	5.7	13.4	28,418	31.12.87
185 (125) *Rolls-Royce*	Uk	1,850.6	521	106	3,657.2	3,200.7	14.3	277.1	213.1	30.0	18.6	42,000	31.12.87

Additions to the European Top 500

Company	Cntry.	This year	Sector
ABB Asea Brown Boveri	Swe/I	40	541
LVMH	Fra	53	422
Societe Generale	Fra	88	112
Suez (Compagnie Financiere de)	Fra	120	112
BAA	Uk	140	306
Viag	Ger	233	591
Blue Arrow	Uk	242	481
Trelleborg	Swe	276	591
Navigation Mixte	Fra	282	171
Financiere Agache	Fra	294	122
FKI Babcock	Uk	322	563
Partek	Fin	338	613
Rauma-Repola	Fin	364	651
Kesko Oy	Fin	368	495
Sampo Insurance Company	Fin	378	151
Mo och Domsjo	Swe	395	652
Yale and Valor	Uk	406	591
Colorol	Uk	409	591
Wolters Kluwer	Net	410	474
V.N.U.	Net	432	472
Queens Moat Houses	Uk	433	464
Euroc	Swe	434	611
Metsa-Serla	Fin	435	452
Cimenteries CBR	Bel	443	611
Perstorp	Swe	449	622
Grand Lacs - Cometra	Bel	452	212
Huhtamaki	Fin	454	452
Dunhill Holdings	Uk	456	406
Instrumentarium	Fin	458	552
Schindler	Swi	461	566
Pleasurama	Uk	463	461
Codan Group	Den	465	151
Ibstock Johnsen	Uk	466	611
Cartiere Burgo	Ita	471	652
Stockmann	Fin	483	493
Security Services	Uk	491	406
Hoesch	Ger	494	633
Mowlem (John)	Uk	496	613
Deutsche Babcock	Ger	497	592
Forbo	Swi	498	406
Finnish Sugar	Fin	500	451

Departures from the European Top 500

Company	Cntry.	Last rank	Sector
ASEA	Swe	(90)	541
Moet-Hennessey	Fra	(134)	422
Britoil	Uk	(139)	213
Brown Boveri & Company	Swi	(198)	541
Louis Vuitton	Fra	(252)	422
Norsk Data	Nor	(307)	531
Holmens Bruk	Swe	(350)	452
Darty	Fra	(354)	402
Italcable	Ita	(382)	223
Porsche	Ger	(388)	401
Octopus Publishing Company	Uk	(390)	472
Banque Cantonale Vaudoise	Uk	(395)	112
Hill Samuel Group	Uk	(399)	121
Britannia Arrow Group	UK	(414)	122
Contibel Holdings	Uk	(421)	122
Telemecanique	Fra	(431)	541
FAG Kugelfischer	Ger	(433)	566
Euromarche	Fra	(434)	493
MAI	Uk	(439)	122
Freemans	Uk	(449)	491
Swedish Match	Swe	(451)	651
Altana	Ger	(452)	433
Oce-van der Grinten	Net	(453)	534
Interdiscount	Swi	(454)	491
Hussel	Ger	(458)	494
Massa	Ger	(462)	494
Ashley (Laura)	Uk	(464)	411
Horten	Ger	(469)	491
Credit Foncier et Immobilier	Fra	(470)	161
Schroders	Uk	(473)	121
Equity & Law Life Assurance	Uk	(474)	141
Daily Mail & General Trust	Uk	(477)	122
Wates City of London Props	Uk	(478)	161
Klockner-Humboldt-Deutz	Ger	(479)	566
Boliden	Swe	(481)	632
Dragados y Construcciones	Spa	(485)	613
Morgan Crucible	UK	(490)	591
Pirelli & Company	Ita	(492)	122
Milano (Assicurazioni)	Ita	(496)	151
Tomkins F.H.	Uk	(498)	671
Brown Boveri Mannheim	Ger	(500)	541

British Telecom is again among the names at the top

Trevor Humphries

European profitability: FT Top 500

% change	By sector (Composite)	number of companies
524.0	Fabricated Metal Prods & Containers	5
160.6	Oil - Petroleum Products	3
54.3	Homebuilding	1
53.5	Advertising	2
47.6	Auto Parts / Tyre & Rubber Goods	6
43.0	Transport/ Storage & Warehousing	3
41.7	Construction & Building Material	22
41.1	Forestry Products	6
40.5	Paper & Paper Products	9
40.0	Computers	2
38.7	Investment Companies	1
37.9	Construction	14
37.7	Financial Services	5
37.4	Broadcasting Media	1
37.2	Restaurants & Hotels	7
35.3	Entertainment & Leisure / Photography	5
33.2	Publishers inc. Newspapers	8
32.8	Diversified Industrial Manuf.	14
28.1	Wholesale - Nondurables	2
28.0	Electronics / Instrumentation	10
26.4	Real Estate	15
23.8	Machinery (Composite)	1
23.7	Drugs	12
23.6	Business Services & Computer Software	4
22.1	Electric Utilities	21
21.7	Retail - Drugs / Misc. / Speciality	4
20.8	Beverages & Tobacco	8
20.7	Retail - Grocery Chains	9
20.3	Retail - Dept. Store / Gen. Merch.	16
20.0	Oil - Internationals / Crude Producers	7
18.4	Food Processors	23
17.2	Diversified Holding Companies	23
14.8	Health Care / Cosmetics	4
14.7	Chemicals (Diversified)	19
13.8	Apparel / Textile Producers	1
11.8	Telephone Companies	2
10.9	Engineering Services	2
9.8	Household Durables & Consumer Goods	3
8.6	Automobiles	9
5.8	Mining & Extractive Inds. (Comp.)	2
5.1	Chemicals	5
1.3	Insurance - Multiline / Property	24
0.8	Insurance - Life / Agents & Brokers	6
-1.5	Natural Gas Utilities	2
-5.1	Financial Institutions	8
-6.2	Heavy Shipbuilding & Engineering	4
-6.3	Communications & Office Equipment	5
-8.3	Electrical Equipment	2
-24.9	Commercial Banks	55
-87.0	Aerospace / Defence / Aircraft	3
	Manufacturing	

Percentage change based on pre-tax profits June 1987 to June 1988

Ranking 1988	1987	company	country	Market Capital $m	Sector	Rank	Turnover This year $m	Turnover Last year $m	per cent change	Profit this year $m	Profit last year $m	per cent change	ROCE	employees	Year end
371	(357)	Associated British Ports	Uk	836.8	303	350	349.4	279.0	25.2	67.7	46.2	46.5	20.8	3,350	31.12.87
372	(363)	BIC	Fra	833.5	406	283	1,013.1	1,035.7	-2.2	131.9	140.8	-6.3	21.9	y 12,600	31.12.87
373	(461)	Carnaud	Fra	833.5	671	257	1,219.5	1,110.6	–	92.8	50.4	–	28.0	10,336	31.12.87
374	(377)	DRG	Uk	824.3	652	249	1,290.2	1,208.2	6.8	89.2	73.2	21.8	25.8	13,289	31.12.87
375	(348)	Baden-Wurttembergische Bank	Ger	822.3	112	–	–	–	–	43.6	48.7	-10.6	@ 16.9	y 2,055	31.12.87
376	(392)	Lundbergforetagen	Swe	821.8	161	–	–	–	–	151.5	182.1	-16.8	20.5	2,031	31.12.87
377	(-)	Sampo Insurance Company	Fin	821.6	151	–	–	–	–	16.6	9.4	76.2	–	2,222	* 31.12.87
378	(376)	Kali-Chemie	Ger	819.5	622	289	986.2	990.7	–	50.0	40.7	–	17.3	6,342 £*	31.12.87
379	(261)	T & N	Uk	813.3	591	212	1,706.9	960.9	77.6	137.3	79.4	72.9	18.3	39,566	31.12.87
380	(324)	Baloise Insurance Group	Swi	804.4	151	–	–	–	–	22.1	24.1	–	–	y 7,742	* 30.4.88
381	(450)	Atlas Copco	Swe	804.2	566	190	1,889.5	1,697.8	11.3	161.9	109.1	48.4	20.0	18,777	31.12.87
382	(255)	Snia BPD	Ita	802.3	621	195	1,863.9	1,855.8	0.4	75.9	92.9	-18.3	10.2	16,755	31.12.87
383	(340)	Club Mediterranee	Fra	800.8	464	278	1,042.4	1,017.2	2.5	57.8	59.8	-3.2	10.6	y 7,755	31.10.87
384	(328)	Dowty Group	Uk	797.5	561	270	1,109.8	1,018.7	8.9	113.9	98.9	15.1	21.0	16,617	31.3.88
385	(480)	Ratos	Swe	797.0	171	–	–	–	–	283.2	60.3	–	60.4	7,243	31.12.87
386	(413)	Preussag	Ger	795.5	634	65	5,931.7	4,603.3	28.9	83.6	75.0	11.4	9.5	y 29,669	31.12.87
387	(404)	Delta Group	Uk	793.6	563	297	945.4	947.8	-0.2	114.0	102.6	11.1	29.3	14,000	02.1.88
388	(495)	Mount Charlotte Investments	Uk	791.3	464	362	165.8	115.3	43.8	51.5	33.1	55.6	19.5	4,524	27.12.87
389	(260)	Pirelli Spa	Ita	784.8	574	–	–	–	–	48.1	38.7	24.2	6.6	y 67,504	* 30.6.87
390	(476)	Wartsila	Fin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
391	(363)	Berliner Kraft und Licht	Ger	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
392	(344)	Groupe Union pour l'Habitation	Fra	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
393	(373)	Hachette	Fra	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
394	(-)	Mo och Domsjo	Swe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
395	(360)	Landis & Gyr	Swi	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
396	(474)	Merlin-Gerin	Fra	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
397	(394)	Nederlandsche Middenstandsbank	Net	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
398	(309)	Magnet	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
399	(334)	Wurttembergische Feuerv'ch	Ger	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
400	(364)	Electrocomponents	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
401	(312)	Nobel Industrier	Swe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
402	(443)	Electra de Viesgo	Spa	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
403	(460)	[illegible]	Fin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
404	(336)	Banca della Svizzera Ital	Swi	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
405	(482)	KNP	Net	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
406	(-)	Yale and Valor	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
407	(359)	Vickers	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
408	(-)	Colorol	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
409	(-)	Wolters Kluwer	Net	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
410	(424)	Ratners Group	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
411	(425)	[illegible]	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
412	(370)	Hazlewood Foods	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
413	(397)	Arjomari	Fra	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
414	(391)	Helvetia-Feuer/Unfall	Swi	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
415	(494)	Wereldhave	Net	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
416	(384)	Hambros	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
417	(403)	Steetley	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
418	(396)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
419	(315)	Mountleigh Group	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
420	(437)	[illegible]	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
421	(378)	Marley	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
422	(-)	Nuovo Banco Ambrosiano	Ita	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
423	(131)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
424	(412)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
425	(410)	Charter Consolidated	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
426	(299)	Pirelli Internationale	Swi	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
427	(471)	Rugby Group	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
428	(457)	[illegible]	Net	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
429	(358)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
430	(-)	V.N.U.	Net	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
431	(-)	Queens Moat Houses	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
432	(-)	Euroc	Swe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
433	(-)	Metsa-Serla	Fin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
434	(440)	CFAO	Fra	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
435	(405)	HEW	Ger	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
436	(448)	Meyer International	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
437	(310)	Ferruzzi Agricola Finanziaria	Ita	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
438	(423)	Bekaert	Bel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
439	(305)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
440	(302)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
441	(-)	Cimenteries CBR	Bel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
442	(455)	Caledonia Investments	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
443	(420)	Sommer-Allibert	Fra	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
444	(401)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
445	(440)	Fisher (Albert)	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
446	(326)	SMH	Swi	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
447	(-)	Perstorp	Swe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
448	(352)	Institut Merieux	Fra	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
449	(379)	Dawson International	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
450	(-)	Grand Lacs-Cometra	Bel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
451	(438)	Lex Service Group	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
452	(-)	Huhtamaki	Fin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
453	(402)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
454	(-)	Dunhill Holdings	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
455	(415)	Vereins- und Westbank	Ger	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
456	(-)	Instrumentarium	Fin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
457	(490)	Wilson (Connolly) Holdings	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
458	(499)	[illegible]	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
459	(-)	Schindler	Swi	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
460	(487)	Copenhagen Handelsbank	Den	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
461	(-)	Pleasurama	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
462	(426)	Ward White Group	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
463	(-)	Codan Group	Den	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
464	(432)	London International Group	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
465	(446)	APV	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
466	(-)	Ibstock Johnsen	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
467	(459)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
468	(356)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
469	(-)	Cartiere Burgo	Ita	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
470	(361)	Essilor	Fra	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
471	(466)	First National Finance	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
472	(418)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
473	(445)	Allied Colloids Group	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
474	(427)	BBA Group	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
475	(441)	Barratt Developments	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
476	(388)	Gist-brocades	Net	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
477	(483)	Wagons-Lits	Bel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
478	(409)	Osterreichische Landerbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
479	(456)	Transport Development Group	Uk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
480	(497)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
481	(-)	Stockmann	Fin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
482	(430)	Atlantic Computers	Uk	591.7	482	269	1,120.3	774.6	44.6	67.9	49.6	36.9	21.6	1,134	* 31.12.87
483	(417)	Lahmeyer	Ger	586.7	613	365	92.9	90.4	2.8	23.6	18.0	31.2	10.6	460	£ 30.6.87
484	(374)	Jelmoli	Swi	584.0	491	291	976.1	957.3	1.9	24.0	23.9	0.6	a –	5,129	* 31.12.87
485	(484)	Aar et Tessin	Swi	583.0	221	328	648.8	622.7	4.2	25.0	24.6	1.3	6.5	y 591	31.3.88
486	(463)	Contigas	Ger	582.8	221	363	147.9	167.4	-11.6	28.8	25.8	11.7	7.3	y 433	£ 31.12.87
487	(339)	Rinascente (La)	Ita	577.6	491	191	1,886.1	1,741.6	-8.3	73.2	75.4	-2.9	18.4	12,996	31.12.87
488	(447)	Wessanen	Net	576.7	451	199	1,830.3	1,905.8	-4.0	62.6	52.9	18.3	15.3	5,230	31.12.87
489	(-)	Security Services	Uk	576.4	406	334	593.2	550.5	7.8	28.6	22.6	26.3	22.8	35,577	30.9.87
490	(435)	Ocean Transport & Trading	Uk	571.9	303	214	1,687.4	1,468.9	14.9	73.2	66.4	10.2	21.5	9,018	31.12.87
491	(472)	Societe Auxiliere d'Entreprise	Fra	570.6	613	131	3,054.0	3,126.1	-2.3	71.0	64.6	9.8	17.6	23,552	31.12.87
492	(-)	Hoesch	Ger	570.0	633	93	4,176.4	4,195.3	–	44.2	39.4	–	+ 3.3	y 32,800	31.12.87
493	(486)	London & Manchester Group	Uk	569.4	141	–	–	–	–	21.5	16.6	29.2	r –	2,157	* 31.12.87
494	(-)	Mowlem (John)	Uk	565.7	613	239	1,408.5	1,129.7	24.7	89.2	53.5	66.8	32.1	13,582	31.12.87
495	(-)	Deutsche Babcock	Ger	564.5	592	146	2,747.4	2,923.2	-6.0	58.4	44.1	32.4	3.7	y 22,130	30.9.87
496	(-)	Forbo	Swi	564.3	406	315	799.7	607.4	31.7	25.4	19.2	31.9	10.8	7,146	* 31.12.87
497	(442)	Globus	Swi	563.7	491	304	887.2	834.5	6.3	23.3	20.2	14.9	7.8	5,716	31.12.87
498	(400)	Colonia Versicherung	Ger	562.7	152	–	–	–	–	24.2	41.3	-41.3	–	y 5,602	£ 31.12.87
499	(488)	Printemps (Groupe)	Fra	562.2	491	151	2639.9	2681.1	-1.5	56.5	49.6	14.0	21.7	11,324	31.12.87
500	(000)	Finnish Sugar	Fin	559.7451	310 862.7		853.0	1.1	40.6	44.0	-7.6	9.4	y 3955	£ 30.11.87	

FOOTNOTES TO THE EUROPEAN TOP 500 LIST

< = ROCE based on shareholders' funds.
@ = ROCE based on shareholders' funds after charging interest on loan capital not stated separately.
+ = ROCE based on capital employed at year-end.
- = Previous year's figures adjusted for accounting changes
# = Parent company accounts.
y = employees at year-end.
r = ROCE not relevant.
a = ROCE not available.
* = see footnotes.

[illegible]

FT TOP 500 *EUROPE*

EUROPEAN EQUITIES

Interrupted honeymoon

IN STOCK market terms, the companies that make up the FT Top 500 will not often experience a more traumatic year.

Across the spectrum of European bourses, the FT 500 year opened with share prices racing ahead in a *seemingly* unstoppable bull market. It ended in June with all but the most hard-bitten of company executives hugging themselves in the hope that a tentative recovery to the biggest stock market shakeout since 1929 could somehow be sustained.

Between October 8 and December 3, the FT-Actuaries Europe index had first peaked and then bottomed, in a share-price swoop that took the index down by no less than 32 per cent. The first fissures occured on October 19, and most of the damage had been done within a few days. The shock to the system was awesome, and at the time the future looked bleak.

In a sense, it could have been worse. Europe's love affair with equities, leading bourse after bourse to wake up to the fact that stock market investment had finally arrived as a tangible component of national psyche, was still largely at the honeymoon stage. Many markets had been having a tremendous run, growing rapidly from tiny bases.

But during the early months of 1987, the investment spotlight had mostly turned back full-blast on the bigger international arenas of New York and Tokyo, with the result that the more actively-managed European bourses *entered* the second half of 1987 less over-bought than they had seemed on some earlier occasions.

At the time, though, such thoughts went unheeded. The mood of collective despair reigned until the turn of the year, when the dollar showed its first signs of spirited resistence to the selling pressure that had been mostly responsible for triggering the share-price crash in the first place.

From then on, it was a slog with fingers crossed. As interest rates across Europe came down, both to support the dollar and to cushion the impact of the crash through looser monetary control, analysts had second thoughts about the outlook for economic growth.

Best bets about Europe, in the immediate aftermath of the crash, suggested a 1.5 per cent decline in European GDP for 1988, and a 10 per cent fall for *company* profits. But by the spring, analysts were rapidly redoing their sums, and so were the stock markets where the seeds of recovery were tentatively putting down roots.

Suddenly everybody was talking once again about expanding GDP and profits growth. The dollar, which had hit a low against the Deutsche Mark at the end of 1987, was holding up well, and confidence was surging back through the financial system. Having looked a dead duck before the turn of the year, takeover and merger activity began to break out again in all sorts of unlikely places.

In the event, the FT-Actuaries Europe index, excluding the UK, pulled in at the end of June 1988 (the close of the FT 500 year) down 14.7 per cent over the 12 months, some way behind the World index which, thanks mostly to resilience on the part of Japanese equities, had suffered a more modest 6.2 per cent setback.

Of the 12 mainland European bourse indices covered by the FT Actuaries service, four ended the year higher than they started, with Spain romping home the outright winner at plus 17.9 per cent as measured in local currencies.

Italy was backmarker, down 25.9 per cent. Of the two European heavyweights, France *came off* best at *minus* 9.6 per cent; while West Germany, at minus 22.7 per cent, only managed to escape the bottom spot courtesy of the deeply troubled Milan share market.

Madrid, which had been the second best performer within mainland Europe during the 1986-87 FT 500 year, still had everything going for it last year. Huge inflows of foreign investment have kept the Spanish economy in top gear, and company profits for calender 1987 rose more than 40 per cent on average, with some sectors – notably property and building materials – performing even more impressively.

Roughly one-third the size of the West German market in value, and half that of France, Madrid is still at the stage where a little investment cash goes a long way. At the other end of the performance tables, Milan would have welcomed even small investment inflows.

Italian company profits rose by nearly a fifth in 1987, and dividend growth kept in step. But equities were cast down by all sorts of domestic worries: political and devaluation scares, rising inflation and – perhaps most significantly for the stock market – accusations of financial skulduggery. A number of dubious company restructurings during the year did incalculable harm to Italian shareholder confidence.

Paris, with gallic aplomb, *shrugged off a rapid deterioration* in the French trade balances, opting instead to concentrate on strong company profits – up 15 per cent for 1987 – and takeover mania. Bid fever had galvanised most of Europe during the FT 500 year, but the Paris bourse proved its most enduring breeding ground, and came up with the mammoth LVMH merger to prove it.

The weakness of the dollar and consequent strength of the Deutsche Mark kept German equities among the laggards. Export earnings suffered; company profits fell 7 per cent, having grown by 14 per cent annually since 1982; and there were a number of infamous dividend cuts, notably by Siemens, the big Munich-based electronics group and one of the sharper leading edges of German industrial might.

Jeffrey Brown

Biggest profit decreases: Europe

	Company	Cntry.	Sector	Rank	% Profit decrease
1	Midland Bank	Uk	112	61	-216.4
2	Standard Chartered	Uk	112	224	-207.8
3	British Aerospace	Uk	523	187	-187.4
4	Waterford Glass	Ire	402	362	-144.3
5	Harris Queensway Group	Uk	491	431	-66.3
6	Banco Hispano Americano	Spa	112	113	-64.8
7	Lloyds Bank	Uk	112	55	-64.6
8	Hochtief	Ger	613	307	-62.7
9	Barclays	Uk	112	23	-62.1
10	Iggesund	Swe	652	420	-60.6
11	Alcatel (Cie Financiere)	Fra	533	281	-49.7
12	Philips	Net	541	59	-49.3
13	Wartsila	Fin	592	391	-45.6
14	Bekaert	Bel	633	440	-41.3
15	Colonia Versicherung	Ger	152	500	-41.3
16	Berisford S & W	Uk	451	262	-41.0
17	Deutsche Bank	Ger	112	18	-40.1
18	Royale Belge	Bel	151	154	-33.7
19	Mediobanca	Ita	121	110	-30.7
20	National Westminster Bank	Uk	112	27	-30.4
21	Groupe Bruxelles Lambert	Bel	171	212	-30.2
22	Thyssen	Ger	633	132	-29.6
23	Morgan Grenfell	Uk	121	369	-26.9
24	Olivetti	Ita	534	81	-25.4
25	Sedgwick Group	Uk	142	237	-25.4

Biggest profit increases: Europe

	Company	Cntry.	Sector	Rank	% Profit increase
1	Norsk Hydro	Nor	214	84	3425.9
2	London & Scot Marine Oil	Uk	213	252	800.0
3	Metsa-Serla	Fin	652	435	723.0
4	Oerlikon-Buehrle	Swi	521	326	465.1
5	Saint Louis Group	Fra	451	339	384.6
6	Valeo	Fra	571	343	321.7
7	Asko Deutsche Kaufhaus	Ger	491	296	320.4
8	Partek	Fin	613	338	241.1
9	Inspectorate International	Swi	531	283	239.0
10	Blue Arrow	Uk	481	242	234.8
11	Yale and Valor	Uk	591	406	228.6
12	BOC Group	Uk	622	85	208.2
13	Sanofi	Fra	433	191	199.0
14	Smurfit, Jefferson	Ire	652	192	156.1
15	Coloroll	Uk	591	409	153.4
16	Williams Holdings	Uk	591	213	149.9
17	British Petroleum	Uk	212	3	149.2
18	Rauma-Repola	Fin	651	364	142.0
19	Alusuisse	Swi	671	279	141.2
20	Beazer C.H. Holdings	Uk	613	346	132.5
21	Aachener & Munchener B'lig	Ger	151	194	130.5
22	Rosehaugh	Uk	161	351	129.2
23	Copenhagen Handelsbank	Den	112	462	127.4
24	Peugeot	Fra	401	44	123.3
25	Consolidated Gold Fields	Uk	631	68	120.4

The European food and drink sector

Shopping selectively

BRITAIN is home to 18 of the top 20 European-based food companies, and yet their apparent pre-eminence owes remarkably little to actual cross-Channel interests.

Excluding Unilever, because of its Dutch uncle, only about 5 per cent of the UK food industry's profits last year came from the Continent. Indeed, several among the leading group, such as Northern Foods and Unigate, have only minor or no interests at all across the Channel.

Excluding Nestlé, to keep the balance about right, most continental food makers have even smaller interests in countries other than their home base. The recent purchase of the HP sauce business by France's BSN was probably the biggest (and certainly the most eccentric) Community-based incursion in the former glass-maker's history.

All of this might be expected to change gradually under the influence of forces such as the concentration of retailer power, which has contributed so much to the development of large food manufacturing concerns in the UK and their subsequent search for further growth overseas.

The situation can now be expected to alter much more quickly, thanks to the "pull" exerted by the prospect of the completion of the internal European market and the increasing "push" from such companies as Anglo-Dutch Unilever, Nestlé and Jacobs Suchard of Switzerland and US multinationals General Foods, General Mills, CPC, Kellogg and Nabisco.

This group has spent many years – getting on for a century in some cases – broadening its *geographic* spread and strengthening its hold on branded foods, the sector where margins are *fattest* and the prospects for economies of *scale are greatest.*

This process has advanced to the stage where certain key markets are dominated by one or two companies. Unilever, for example, controls 60 per cent of the EC margarine market. Nestlé and General Foods rule in instant coffee. While British brewers seem mesmerised by the apparently impenetrable West German beer market, Heineken, Carlsberg and Kronenbourg have built massive shares in six EC states.

Would-be competitors, trying to build themselves up, find life increasingly difficult. A recent report by stockbrokers Phillips and Drew catalogued the travails of Saint Louis of France, which said two years ago that it aimed to become France's second largest food group after BSN. It was feeling confident, having recently taken over the Lesieur edible oils business. However, after a raid on Saint Louis by Ferruzzi in 1987, the company was forced to dispose of its oil operations.

"The recent failure by Saint Louis *against Nestlé to take* over Buitoni reinforces the feeling that these (ambitious) companies should find it difficult to compete against well-established European food leaders," P&D concluded.

But it is easy to be diverted by *such setbacks and the scale* of deals like the Nestlé swoop on Rowntree. BSN, for example, has become a major European group by a combination of astute bids and joint ventures. A recent link with Maes of Belgium has both broadened the franchise of its transcontinental Kronenbourg beer brand and given it a further Pils label to spread through its *distribution network.*

Selectively picking off small pasta, mineral water, beer and biscuit companies, with a distinct bias towards southern European markets – where demand for branded grocery is growing at more than 5 per cent a year – has made BSN a real *force in areas far beyond* its original food base in the French dairy products trade.

For the established European operators acquisition policy seems likely to follow a similar selective pattern. Purchases will be intended to increase the bidders' strength in established markets – either adding complementary products or distribution strength – rather than simply piling on corporate bulk.

Outsiders such as Goodman Fielder of Australia, which recently gave up the ghost on its protracted haunting of Britain's RHM, may not be so choosy. They are under pressure, whether real or imagined, to establish themselves in the world's second largest trading bloc before the shutters go up.

Much is made of the difficulties of acquiring desirable food-companies in EC member states outside Britain, but they have proved of little concern to the UK drinks giants Grand Metropolitan, Guinness and Allied-Lyons, which have forged a most comprehensive *network of joint ventures* across Europe to speed and consolidate their penetration, and squeeze the competition.

The fears of smaller players are illustrated by the tenacity of Pernod Ricard's attempts to take *control* of Irish Distillers. *Without a broader product* portfolio, its strengths in *anis* could threaten to *confine* it to a shrinking niche.

Christopher Parkes

EUROPE'S TOP 100 BY TURNOVER

Ranking This	Ranking last	Company	Turnover $m	Cntry	Sector	Year end
1	(1)	Royal Dutch/Shell	84,865.0	Nuk	212	31.12.87
2	(2)	British Petroleum	46,984.0	Uk	212	31.12.87
3	(4)	IRI	40,953.6	Ita	171	31.12.87
4	(3)	Daimler Benz	38,401.3	Ger	401	31.12.87
5	(5)	Volkswagen	31,093.8	Ger	401	31.12.87
6	(15)	Fiat	29,459.8	Ita	401	31.12.87
7	(6)	Unilever NV/PLC	29,396.1	Nuk	451	31.12.87
8	(10)	Siemens	29,270.6	Ger	541	30.09.87
9	(7)	Deutsche Bundespost	28,251.6	Ger	406	31.12.87
10	(8)	Philips	26,677.6	Net	541	31.12.87
11	(14)	BAT Industries	25,913.0	Uk	171	31.12.87
12	(19)	Renault	24,877.7	Fra	401	31.12.87
13	(12)	Nestle	24,106.3	Swi	451	31.12.87
14	(11)	ENI	24,093.1	Ita	622	31.12.87
15	(16)	Veba	23,034.9	Ger	171	31.12.87
16	(13)	BASF	22,900.1	Ger	622	31.12.87
17	(17)	Electricite de France	22,892.0	Fra	221	31.12.87
18	(31)	CGE	21,496.4	Fra	221	31.12.87
19	(20)	Elf Aquitaine	21,478.2	Fra	212	31.12.87
20	(14)	Bayer	21,138.8	Ger	622	31.12.87
21	(18)	Hoechst	21,032.4	Ger	622	31.12.87
22	(21)	Electricity Council	20,189.2	Uk	221	31.03.88
23	(23)	Peugeot	19,929.0	Fra	401	31.12.87
24	(24)	Imperial Chemical Industries	19,756.7	Uk	622	31.12.87
25	(26)	British Telecom	18,090.6	Uk	223	31.03.88
26	(25)	RWE	15,748.6	Ger	221	30.06.87
27	(32)	Volvo	15,175.4	Swe	401	31.12.87
28	(22)	Thyssen	15,110.5	Ger	633	30.09.87
29	(29)	Deutschen Bundesbahn	14,903.1	Ger	304	31.12.87
30	(27)	Total	14,687.3	Fra	212	31.12.87
31	(-)	ABB Asea Brown Boveri	14,474.9	Swe/I	541	31.12.87
32	(36)	Bosch,Robert	14,434.8	Ger	551	31.12.87
33	(30)	INI	13,527.1	Spa	171	31.12.87
34	(34)	Saint Gobain	13,304.4	Fra	611	31.12.87
35	(35)	British Gas	13,079.9	Uk	222	31.03.88
36	(33)	OIAG	12,307.3	Aus	171	31.12.87
37	(71)	Hanson	11,868.6	Uk	171	30.09.87
38	(44)	Petrofina	11,538.5	Bel	212	31.12.87
39	(37)	Ruhrkohle	11,534.3	Ger	631	31.12.87
40	(-)	Usinor Sacilor	11,318.9	Fra	633	31.12.87
41	(42)	Bayerische *Motoren* Werke	11,074.9	Ger	401	31.12.87
42	(55)	Electrolux	11,060.1	Swe	402	31.12.87
43	(39)	Ciba-Geigy	10,783.2	Swi	622	31.12.87
44	(41)	Montedison	10,570.7	Ita	622	31.12.87
45	(40)	Thomson	10,149.8	Fra	551	31.12.87
46	(51)	Grand Metropolitan	10,134.1	Uk	421	30.09.87
47	(52)	General Electric	9,863.2	Uk	541	31.03.88
48	(57)	Opel,Adam	9,781.7	Ger	401	31.12.87
49	(45)	Ford Werke	9,684.7	Ger	401	31.12.87
50	(53)	Carrefour	9,529.3	Fra	493	31.12.87
51	(43)	Mannesmann	9,478.9	Ger	586	31.12.87
52	(70)	Ford Motor Company UK	9,255.8	Uk	401	31.12.87
53	(-)	Societe Generale de Belgique	9,164.2	Bel	171	31.12.87
54	(60)	Dee Corporation	9,136.9	Uk	493	30.04.88
55	(66)	Generale des Eaux	8,932.9	Fra	171	31.12.87
56	(59)	Dalgety	8,886.3	Uk	451	30.06.87
57	(75)	Statoil	8,601.8	Nor	213	31.12.87
58	(58)	Norsk Hydro	8,534.0	Nor	214	31.12.87
59	(61)	Man	8,519.7	Ger	586	30.06.87
60	(78)	Sainsbury J	8,510.7	Uk	493	19.03.88
61	(73)	*Marks and Spencer*	8,130.7	Uk	491	31.03.88
62	(68)	SNCF	8,030.3	Fra	304	31.12.87
63	(50)	Krupp (Fried)	8,028.0	Ger	661	31.12.87
64	(62)	Michelin	7,915.8	Fra	574	31.12.87
65	(63)	Akzo	7,859.9	Net	622	31.12.87
66	(54)	Esso AG	7,816.3	Ger	212	31.12.87
67	(65)	British Coal	7,794.0	Uk	631	26.03.88
68	(69)	Migros	7,713.3	Swi	493	31.12.87
69	(38)	Gasunie	7,653.0	Net	222	31.12.87
70	(47)	Repsol	7,591.0	Spa	213	31.12.87
71	(-)	Metallgesellschaft	7,586.0	Ger	634	30.09.87
72	(82)	Allied-Lyons	7,524.0	Uk	421	07.03.88
73	(77)	BTR	7,369.8	Uk	591	31.12.87
74	(83)	Tesco Stores (Holdings)	7,316.3	Uk	493	27.02.88
75	(93)	British Steel	7,310.8	Uk	633	02.04.88
76	(-)	British Aerospace	7,238.0	Uk	523	31.12.87
77	(56)	Gaz de France	7,095.9	Fra	222	31.12.87
78	(-)	Saatchi & Saatchi	7,023.4	Uk	475	30.09.87
79	(72)	*Bouygues*	6,977.3	Fra	451	31.12.87
80	(99)	Gallaher	6,903.6	Uk	171	31.12.87
81	(80)	Karstadt	6,792.2	Ger	491	31.12.87
82	(96)	Saab-Scania	6,791.1	Swe	401	31.12.87
83	(89)	Neste	6,763.0	Fin	214	31.12.87
84	(92)	Post Office	6,733.2	Uk	406	30.03.88
85	(-)	British Airways	6,671.4	Uk	301	31.03.88
86	(81)	Degussa	6,669.8	Ger	622	30.09.87
87	(84)	Esso UK	6,646.7	Uk	212	31.12.87
88	(79)	AEG	6,635.9	Ger	551	31.12.87
89	(76)	IBM Deutschland	6,573.7	Ger	531	31.12.87
90	(81)	IBM France	6,327.8	Fra	531	31.12.87
91	(87)	Deutsche Lufthansa	6,297.4	Ger	301	31.12.87
92	(-)	BSN Groupe	6,266.4	Fra	451	31.12.87
93	(-)	Sandoz	6,142.0	Swi	493	31.12.87
94	(85)	Solvay et Cie	6,084.0	Bel	622	31.12.87
95	(-)	Argyll Group	6,056.7	Uk	493	02.04.88
96	(90)	*Thomson-CSF*	6,028.4	Fra	551	31.12.87
97	(-)	RTZ Corporation	6,023.3	Uk	634	31.12.87
98	(-)	Preussag	5,931.7	Ger	634	31.12.87
99	(86)	Haniel	5,900.5	Ger	171	31.12.87
100	(100)	Co-op	5,893.9	Ger	493	31.12.87

A–Z LIST OF THE EUROPEAN TOP 500

ABB Asea Brown Boveri	40	Burton Group	153	Gotthard Bank	472	Midland Bank	61	Sears	92
AEG	163	CFAO	434	Granada Group	215	Mo och Domsjo	394	Security Services	489
AE Financiere	225	CGE	83	Grand Lacs – Cometra	450	Montedison	115	Sedgwick Group	237
AGA	229	Cable & Wireless	32	Grand Metropolitan	28	Morgan Grenfell	368	Sefimeg	444
APV	465	Cadbury Schweppes	60	Great Portland Estates	329	Mount Charlotte Investments	388	Sevillana de Electricidad	351
Aachener & Munchener Beteilig	194	Caledonia Investments	442	Great Universal Stores	52	Mountleigh Group	419	Siebe	258
Aar et Tessin	485	Calor Group	272	Greycoat Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Life	206	Cap Gemini Sogeti	214	Groupe Bruxelles Lambert	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accor International	259	Carlsberg	224	Guardian Royal Exchange	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Harmonisation is likely to encourage pan-European alliances and deals

The UK leads in the M&A game

SUDDENLY 1992, when the concept of a unified Europe will take a big step forward through the abolition of internal trade barriers, is at the forefront of industrial thinking.

To some extent, this may be due to a substantial promotional campaign – not least, by governments themselves – and it is true that many players remain sceptical that the desired objectives will be perfected by 1992 itself.

Nevertheless, the overall move towards harmonisation and reduced restrictions, does appear to be encouraging a general, if cautious, trend towards pan-European alliances and deals.

It is certainly a development that the European-based merchant banking community appears happy to foster. At a time when stock markets are still depressed and, in the wake of the 1987 crash, wary of corporate funding, any opportunities to sustain the deal flow are welcome.

The extent to which takeover activity throughout Europe has blossomed in the past 12 months is difficult to gauge. Accountants Peat Marwick McLintock recently published some estimated figures for cross-border activity – one of the first attempts to measure the extent of the takeover business worldwide – but their database does not go back far enough to allow any earlier comparisons to be made.

Nevertheless, the figures – which attempt to encompass deals by both private and public companies – are instructive. They suggest that the UK, with its larger and more sophisticated equity market, is by far the largest M&A player in the European Community, with France taking second place, followed by Italy and Germany.

In the year to end-June, Peat Marwick suggests, the EC saw $21.2bn of corporate sales, and about $44.8bn-worth of purchases. Within the EC figure, sales by UK companies totalled $13.5bn, while purchases ran to $34bn. France recorded $3.7bn and $5.25bn respectively, Italy $856m and $2.74bn, and Germany $384m and $1.18bn.

These figures, it should be stressed, refer only to cross-border transactions; so, in the case of the UK, for example, giant transatlantic takeovers are incorporated, but the likes of the £2.5bn bid by BP for Britoil are excluded.

Nor do the statistics spell out the extent to which deals reflect cross-border activity within Europe, as opposed to activity between Europe and the rest of the world. Very broadly, however, the accountants estimate that at least 50 per cent of both sales and purchases may fall into the former category.

What does become clear from the figures is that the "mega-bid", beloved of headline-writers, is the rarity. Peat Marwick calculates that "middle market purchases" by EC companies – those where the price was under $100m – accounted for a hefty $9.3bn.

In terms of numbers of deals struck, the middle market's role looks even more impressive: these relatively small transactions took in 535 cross-border purchases by European companies and 221 sales – 87 per cent and 88 per cent of the respective totals.

Measurement of activity by industry throws up less conclusive results. The accountants suggest that purchases have centred on business services (12.2 per cent of the total value of purchases), building products (11.9 per cent), food and drink (9.9 per cent), electrical products and chemicals (both with just over 7 per cent).

In terms of sales, again by value, the leading sectors are food and drink (38.1 per cent, clearly boosted by the Rowntree bid, but still the largest area once this is excluded); banking 9.9 per cent; insurance and business services (both around 7.5 per cent).

The UK corporate sector's lead in merger and acquisition activity is scarcely surprising, given its relatively developed market structure. But the extent and pace at which other European countries open up – and whether, indeed, they wish to follow the UK pattern – is an extremely topical, if very moot, point.

Certainly, there is a wide discrepancy between permissible/feasible bid activity in different European countries. In West Germany, for example, contested takeovers are virtually unheard of, and there is little regulatory structure to cover them. Moreover, disclosure requirements are very limited: under the Stock Corporation Act, anyone acquiring over more than 25 per cent of the shares, must inform the company without undue delay.

In Spain, by contrast, anyone proposing to hold a total of at least 25 per cent in a quoted company, is deemed to be making a public offer for the acquisition of securities, and is required to notify the relevant stock exchange (Spain has four). There is provision for partial offers, but an offer must extend to all securities if its involvement would allow it to alter its target's corporate bylaws at a general meeting.

Such wide discrepancies suggest that the formation of a "common" comprehensive takeover code for the Community may be some way off. At present, the general feeling – certainly within the UK – seems to be that a minimalist code will emerge at the outset, on to which more sophisticated ramifications can be tacked at later dates. In the meantime, individual countries would be able to operate stricter regulations tailored to their own markets.

The list of companies that have recently seen bid plans delayed – and in some cases, jeopardised – by the complexities of national regulation is lengthy. One particularly ironic example is the Nestlé bid for Rowntree, which, having avoided any reference the UK Monopolies and Mergers Commission, has fallen subject to a probe by the French authorities.

The other key point that is lost in the Peat Marwick figures is the extent to which European link-ups are moving forward via alliances. Joint ventures and cross-shareholdings have long been a familiar pattern on the Continent. In the UK, by contrast, they tend to engender a greater degree of institutional suspicion, and the relatively open equity market has tended to promote the cult of the full takeover.

Yet a number of bid experts seem to feel that this may be a promising route forward – at least, as a lengthy courtship which, only after a number of years, might ultimately end in marriage. It is certainly a route taken by a number of financial/insurance companies, and also well exemplified by Pearson, owners of the Financial Times, in the publishing world.

The Madrid bourse

The extent to which such links – especially where stakes are restricted to minority interests – really show through in industrial advantage is a much-disputed subject. Certainly, such alliances can appear to offer as many defensive benefits as progressive ones. Nevertheless, it seems clear that, as 1992 approaches, the European M&A scene will see all manner of variants, and that the full takeover bid may account for only part of the activity.

Nikki Tait

La Générale: up from 143 to **47**

Fattened by a poison pill

THE DRAMATIC leap up the league table by Belgium's largest and most powerful holding company Société Générale de Belgique – from 143rd position to 47th – can be attributed largely to one man: the Italian businessman Mr Carlo De Benedetti.

His bold takeover bid this year – and earlier expectations of it – not only powered the company's share price to new highs, but encouraged the group's management to issue large chunks of new capital in an ultimately successful effort to head off his unwelcome attack.

The first rumours of a mystery buyer of La Générale stock (almost certainly *not* Mr De Benedetti) started swirling round the Brussels bourse in June 1987. That summer's speculation was effectively dampened when 1.5m new shares were issued to two friendly institutional investors, Artois-Piedboeuf and Groupe Lazard; and an extraordinary general meeting in September of that year approved a 60 per cent increase in the group's authorised capital.

The next important event was a one-for-10 rights issue – designed partly to finance the purchase of a stake in Alcatel – whose last day of subscription, inauspiciously, was Black Monday of the stock market crash. Underwriters left to pick up the tab were only too glad to offload their stock to buyers now known to have included the De Benedetti camp.

Mr De Benedetti was able to use this platform as the basis for his dramatic mid-January offer, when he revealed that through his Paris-based financial holding company Cerus he had already built up an 18.6 per cent stake.

The extraordinary six-month battle will long be remembered for the many twists of tactics and fortune – not least Cerus' desperate attempt to win over the uncommitted by raising its offer to BFr8,000 per share in late February – but by the end of June the shares were trading at a price (around BFr4,300) not unadjacent to the packed levels of 12 months previously.

An uneasy, but ultimately inevitable, peace had by this stage broken out between the two warring factions – the Franco-Belgian alliance led by the French investment bank Compagnie Financière de Suez, which controlled some 52 per cent of the group, and Mr De Benedetti and his followers who were unable to increase their total much beyond 45 per cent.

The most important change has been the huge increase in La Générale's share capital – from 24m shares before the skirmishes to 42.7m today – brought about largely by the controversial "poison pill" issue of 12m new shares to Sodecom (a company effectively controlled by Suez, and which is now the main vehicle for the French investment bank's stake).

With only about 1.5 per cent of the total, or 600,000 shares, still thought to be in "independent" hands, trading on the bourse has been at a low ebb since June. That situation, however, is likely to change in the New Year, when Suez and its allies are expected to disclose details of plans already hinted at to sell a significant part of its stake back to stock market investors. Neither the size of such a placing nor the exact timing are yet known.

Such an operation is unlikely to be undertaken until the new management, under ex-Midland Bank director Mr Herve De Carmoy, has fully refined its strategy for re-organising La Générale's rich but still ungainly portfolio of industrial and commercial assets (stakes in everything from banking, cement manufacture and non-ferrous metals to diamond trading, chemicals and armaments manufacture).

Carlo De Benedetti: a bold bid

The board has so far been coy about spelling out its plans, but the sale of its 50 per cent stake in London-based investment bankers Dillon Read is seen as a sign that it intends to concentrate its financial activities through Générale de Banque.

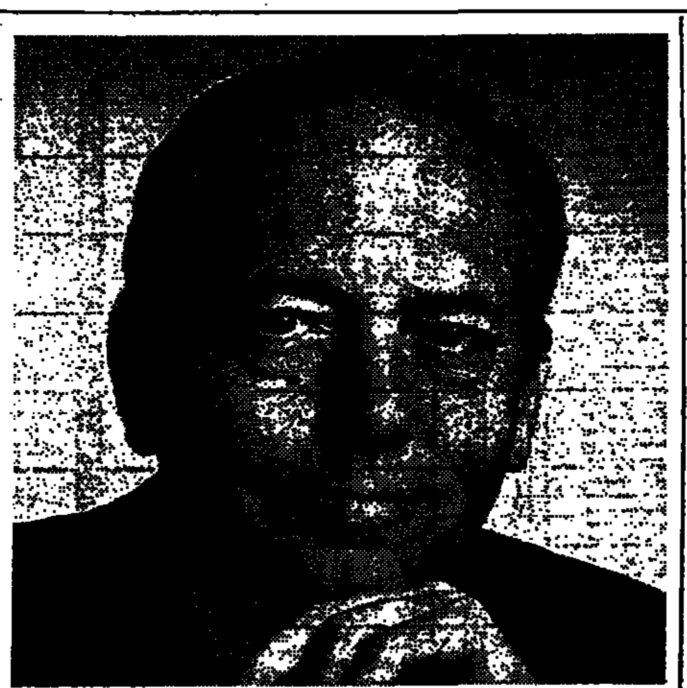
The announcement of the possible purchase of the stake of minority shareholders in Vieille-Montagne, the Belgian zinc producer, is seen as the possible prelude to changes at La Générale's 100 per cent owned non-ferrous metals subsidiary Union Minière.

And the expansion plans and "poison pill" defence, recently announced at the separately quoted CBR, are clear evidence that the cement company is to remain a key part of the parent's future strategy.

Tim Dickson

LVMH

Rivals reach a truce



Mr Alain Chevalier: chairman of the new executive board

THE SHARES of Moët-Hennessy Louis Vuitton (LVMH) have sparkled on the Paris bourse this year, propelling France's leading champagne, cognac, perfume and luxury products to the top of the French market capitalisation league.

With a market value of nearly FFr36bn, LVMH (53rd in the Top 500) has overtaken, in terms of capitalisation, major French industrial and financial groups like the Elf-Aquitaine oil company, the Peugeot-Citroen car group or Société Générale, the country's largest privatised bank currently in the midst of a fierce bourse battle.

But the bubbling LVMH share price has reflected not only the strong financial performance and glowing prospects of France's biggest luxury goods company, but also the major struggle for control of the group barely a year after the merger of the Moet-Hennessy champagne and cognac company with the Louis Vuitton luxury luggage concern.

For most of the summer, the battle for control of LVMH dominated French business headlines. And although the various parties in the contest finally reached a compromise this autumn, the agreement is widely regarded as a temporary truce.

When Moet-Hennessy and Louis Vuitton merged last year, the deal was applauded as a marriage of reason and talent between two of the leading companies of French corporate high society. But soon divisions emerged between the Moet-Hennessy camp, led by Mr Alain Chevalier, the LVMH chairman, and Mr Henry Racamier, the veteran head of the Louis Vuitton camp. At the same time, the group became increasingly concerned over the possible threat of a hostile bid, and was anxious to reinforce its capital structure.

The combination of these factors presented Mr Bernard Arnault, the youthful head of the Agache Financière group and of the Christian Dior fashion house, with a major opportunity to build up a strategic position in France's leading luxury business.

With remarkable skill and speed, Mr Arnault, in partnership with Guinness, the UK drinks group, acquired a major stake in LVMH, making him the single largest shareholder in the company with 33.4 per cent, which will increase to 37 per cent on full dilution. This has now given Mr Arnault and Guinness a blocking minority of the votes in the company. However, the deal has also seen LVMH become, with 12 per cent, the single largest shareholder in Guinness.

To accommodate its major new shareholders, LVMH has changed its management structure by setting up a new supervisory board and a separate executive management board. Although Mr Chevalier has remained chairman of the new executive board, Mr Arnault is expected to make his voice heard increasingly in the affairs of the luxury group. But Mr Arnault has also expressed his full confidence in Mr Chevalier's management abilities.

Consolidated net earnings in the first half of this year rose by 44.5 per cent to FFr634m, compared with the first half of last year. Sales rose by 28 per cent to FFr9.3bn in the first eight months of this year, compared with the first eight months of last year, the company recently reported. For the full year, LVMH expects to report a net profit increase of more than 30 per cent over the group's net earnings of FFr1.3bn last year.

In the first half of this year, the earnings of the its cognac and spirits operations rose by 75.5 per cent, through strong demand and the joint distribution venture between LVMH and Guinness in this field.

The luggage and accessories luxury business saw earnings rise by nearly 69 per cent, while profits in the perfume business in the first half rose by 22 per cent. However, earnings in champagne were 12 per cent lower, reflecting the rise in champagne grape prices in 1984 and 1985. But LVMH, with its Moet Chandon and Veuve Clicquot brands, expects champagne earnings to improve during the last part of this year.

Paul Betts

Ericsson: down from 205 to **220**

Back to the core

ERICSSON of Sweden may be forced to dwell on the words of the Red Queen in Through the Looking-glass: it takes all the running you can do just to stand still.

The telecommunications group is roughly back where it was in 1980. Its subsequent ill-starred venture into the personal computer business caused profits to nose-dive, has prompted job-cuts, and in the past several key divestments, while leaving investors disenchanted with the slow recovery.

In fact, the long-awaited recovery came in mid-1988, and Ericsson vows to concentrate in future on its core telecom business (where it has built up a reputation for technical expertise and competitive products), and the mobile telephone systems business which it believes will prove increasingly important.

Ericsson proved very successful with its AXE digital telephone switch technology in the late 1970s, but then decided to enter the computer systems business, setting up Ericsson Information Systems (EIS).

The division, which grew to account for about one third of group sales, notched up heavy operating losses between 1984 and 1988 after the personal computer market took a plunge.

Since 1985, Ericsson's ranking in the FT 500 has slipped from 78 to 171 in 1986, 205 in 1987, and 220 in 1988. But with the company's recent turnaround, the future looks much brighter, and analysts are optimistic about prospects for 1989 and 1990.

Ericsson took far longer than expected to sort out the black sheep of the group, though it has now reduced sales by two-thirds to about SKr3.6bn through divestments.

In October last year, it sold off EIS's office equipment division (which makes typewriters and printers) to Design Funktion of Norway, a small office furniture manufacturer.

Three months later Nokia, the diversified Finnish electronics group, took the Data Systems division (a significant part of EIS which makes terminals, personal computers, minicomputers and banking systems) off Ericsson's hands in a deal worth SKr1.34bn.

The remaining part of EIS, renamed Business Communications, will now concentrate on office exchanges. Ericsson's MD110, an AXE-based exchange, has about 10 per cent of the market for large subscriber exchanges. The group recently signed an agreement to start making the MD110 in China, which is seen as an interesting new market.

Two other business areas have also been cleaned out in the last year. The cables division sold off most of its US operations to Alcatel of France and BICC of the UK: the US side was showing weak results, due to a decline in demand and over-capacity.

Meanwhile, Ericsson's components division sold its capacitor operation to Finvest, the Finnish electronic components and industrial automation company, and is now focusing its attention on micro-circuits and power supply.

The most exciting area, and the one where Ericsson is pinning its hopes for the future, is mobile telephone systems. It sees this as the fastest growing business area and one which will assume increasing importance in the group.

Already, Ericsson has about 40 per cent of the world market for mobile telephone systems, ahead of AT&T and Motorola. It has been helped by its dominant position in the Nordic region (which developed early in this field) and expects to reap rewards from the development of the pan-European digital mobile telephone system in the early 1990s.

Its recent acquisition of Radiosystem, a Swedish maker of mobile telephone components, was calculated to double Ericsson's share in supplying radio base stations.

For the present, though, the mainstay of Ericsson's operations is the public telecommunications division, which has now sold 21m lines and has customers for its AXE system in 70 countries around the world. It accounts for over one third of group sales and is one of the most profitable names in the sector.

In the last year and a half, Ericsson has manoeuvred to strengthen its position in Europe. Together with Matra of France, it won a closely-contested battle to acquire CGCT, which gives it a 16 per cent share of the French market for digital telephone exchanges.

It has also taken full control of Intelsa, the Spanish telecommunication equipment supplier, and of its former joint venture with Thorn EMI in the UK. And its eyes are turned to the West German market, which will soon be opened up to outside competition.

However, its stated ambition to become the third major supplier in the US, after AT&T and Northern Telecom, and to win 5-10 per cent of the market, is still to be achieved.

Ericsson invested heavily in the US market, and has won small local exchange contracts from some of the Bell operating companies, but the extension and replacement of old analogue exchanges is proceeding more slowly than expected.

Sara Webb

Tom Burns surveys the new-look Spanish banking sector

Never have so few changed so much

IN THE third quarter of this year, Spaniards came across a new banking name on their high streets which replaced two long-familiar logos. Next year they will gain another one and lose a further two.

Never in Spanish banking have so few people changed so much for so many. On October 1, Banco de Bilbao, ranked fourth in Spain in deposit terms, formalised its merger with the sixth-ranked Banco de Vizcaya, and the Banco de Bilbao-Vizcaya (BBV) came into being. A fortnight later the shareholders of the two biggest single banks, Banco Central and Banco Espanol de Credito (Banesto), agreed on a union that next year will have Banco Espanol Central de Credito (BECC) emblazoned on every high street corner.

Two men, above all, changed the face of Spanish banking: Mr Jose Angel Sanchez Asiain, Bilbao's chairman, and Mr Mario Conde of Banesto. They brought about their "one and one makes one" revolution within a year; the so-called Big Seven of Spanish banking was reduced to the Big Five or, more exactly, to the Big Two, plus three others.

Last November Mr Conde fought off a bid by Bilbao's chairman for control of Banesto. Undeterred, Mr Sanchez Asiain trained his sights on Vizcaya, and by January he was able to announce that he had reached a merger agreement with the rival Basque bank. Mr Conde's response was just as swift. By March he had revealed the outline of his planned union with Banco Central.

The future BECC will control close on 20 per cent of the domestic credit market and in European terms the new bank ought to ranked around No 24.

Mr Sanchez Asiain and Mr Conde evidently prefer to view the challenge of 1992 from battlements that are solidly built on a sound economy of scale. Mr Sanchez Asiain in particular has for years been saying that the "Big Seven" description is singularly inappropriate for Spanish banks far too small to hold their own in a deregulated single European market. But others who are also contributing significantly to the drastic overhaul of Spanish banking have preferred to find allies who could tactically secure their flanks.

Mr Emilio Botin, chairman of Banco de Santander, a retail bank that is now ranked fourth in Spain, is a leading member of the second group. Last year Banco de Santander paid Bank of America some DM150m for its West German subsidiary, Bankhaus Centrale Credit; in May this year Santander purchased the Belgian subsidiary of France's Crédit du Nord, Crédit du Nord Belgica, and two months later it exchanged 30 per cent of Banca Jover, a Barcelona bank that it owns, for a 30 per cent stake in Istituto Bancario Italiano (IBI), the 12th-ranked Italian bank.

The keynote development in Mr Botin's strategy came with a complex, cross-border alliance announced in October between Santander and the Royal Bank of Scotland. Banco de Santander, with assets of £15bn, took 5 per cent of the Royal Bank of Scotland, and £20bn, while the latter has an option of 2.5 per cent of Santander stock and 50 per cent in Crédit du Nord Belge and in Bankhaus Central Credit.

While Mr Sanchez Asiain and Mr Conde chose the path of building potentially strong national institutions, Mr Botin has elected to join forces with other medium and small-sized European banks. Taking the first route, given the participation of Spanish banks in industry, both BBV and the future BECC will wield considerable clout in areas such as the utilities and in the construction business.

Like Mr Botin – a pioneer in his own right for he was the first Spanish banker to float small portions of stock in New York, London and Frankfurt – Mr Claudio Boada, chairman of Banco Hispano Americano, the third-ranked Spanish bank, is determined to build up EC links.

In August Hispano purchased 75 per cent of Continental Bank, the Belgian subsidiary of Continental Illinois National Bank of Chicago, and signed a protocol agreement to develop close co-operation with Bacob, Belgium's second largest savings bank and the purchaser of Continental's outstanding 25 per cent stock. Hispano has already some experience in Euro link-ups for under a share swap agreement Hispano and West Germany's Commerzbank own 10 per cent of each other's stock. Both are also members of Europartners, together with Banco di Roma and Credit Lyonnais.

Hispano's Belgian move came in the wake of a three-year restructuring programme that involved major allocations for raising reserves and for providing for pension funds and country loan risks. With first-half profits of Pta 15.7bn, an 82 per cent rise over the same period last year, Hispano's turnaround appeared to be well on target.

The Hispano results looked exceptionally good but so do those of the Spanish banking sector as a whole. The average profits of Spanish banks in what is clearly a watershed period rose by 45 per cent in the first half of this year. Last year profits were up by 33 per cent.

FT TOP 500 *THE UK*

The equity markets: **Martin Dickson** considers the effect of the crash on the list

A time for food, drink and leisure

THIS YEAR'S rankings in the UK FT Top 500 table are, inevitably, heavily influenced by the most dramatic event in the world equity markets this decade – the great crash of October 1987.

For, in the wake of that vertiginous plunge in the markets, investors adopted very different stances to the various sectors, and to individual companies. Some of the companies that had been the most glamorous in the City before the crash – acquisition-hungry, and issuing lots of paper to feed this appetite – went out of fashion overnight.

As for the various sectors, traditional bear-market boltholes became instantly appealing (or, at any rate, less unappealing than other equity investments).

On the assumption that, even in a slump, people would have to eat and drink, the brewing and food manufacturing sectors were suddenly in favour. Thus, looking at the various constituents of the FT Actuaries indices, we find that between June 30 1987 and June 30 1988 – the date to which the latest FT 500 rankings relate – the food manufacturing index fell by just 4.6 per cent and brewers and distillers by 6.3 per cent. This performance was bettered only by leisure (down 2.7 per cent) and mining finance and overseas traders (rises of 3.4 and 6 per cent respectively).

The worst performing sectors between these dates were agencies (down 30.4 per cent) and other financials (down 27.7), *reflecting* both the impact of the crash on the financial services industry and the perceived dangers in such an uncertain climate of investing in businesses where the assets were human, and walked out of the building at night, rather than in more fixed and salable form.

The general equity market indices recorded large losses between June 1987 and 1988. That month last year saw the FT-SE 100 index moving rapidly up past 2300 and on to its all-time peak, reached in mid-July, of well over 2400. It was still close to that level when the crash came in October, *sending the index* plunging to under 1600. Since the start of 1988, it has shown no particular trend, usually trading between 1750 and 1850 and encountering selling pressure on reaching the upper end of that band.

All these factors underlie much of the upward and downward shuffling of places in the latest FT Top 500 list. At the top end, British Telecom has replaced British Petroleum as the UK's largest company by market capitalisation.

The weakness of crude prices over the period meant that oil shares were among the market's laggards. Glaxo Holdings, the pharmaceuticals group which had long been a stock market favourite, suffered from a change in market sentiment and a drop in its rating, which took it down from fourth position to sixth by market capitalisation.

General Electric, the electronics group led by Lord Weinstock, dropped from ninth to 15th position, reflecting market concern over the dynamism of the business – even though it has shown itself much more active over the past year in joint ventures and acquisitions.

Staying among Britain's largest companies, particularly sharp rises up the tables were recorded by the two big confectionery groups, Cadbury Schweppes (up from 68 to 28) and Rowntree (from 85 to 30). Both movements reflected bid activity, or the threat of it. In the case of Rowntree, it finally succumbed to a £2.5bn takeover bid from Nestlé of Switzerland. In the case of Cadbury, the building up of an 18 per cent stake in the group by the American company General Cinema led to speculation that a bid might emerge.

The companies enjoying the largest rises up the table (in the number of places moved) owed this to their takeover activity. The biggest mover was Yale and Valor, which jumped 284 places, from 453 to 169, thanks to the very ambitious takeover by Valor of the American locks company Yale.

Similarly, WPP, up 146 places, owed this to its takeover of the much larger US advertising agency, JWT. Blue Arrow, the employment group, was up 107 places, thanks to its takeover of the US group Manpower – a deal which made a footnote in the annals of City history when, at the very height of the bull market, Blue Arrow launched a then record British rights issue of £837m.

But while the great bulk of companies shooting up the table could thank takeover activity for this, a few owed their rise to more organic growth, in particular Body Shop International, the beauty-care business, which has enjoyed a remarkable rate of growth ever since coming to the market.

Those suffering the greatest drops in rankings comprise a motley group of businesses: London United Investments is an insurance holding company, GT Management and Henderson Administration are fund management groups, and Bernard Matthews a food manufacturer.

This category also includes Virgin Group, the entertainment business headed by Mr Richard Branson, which, despite its glossy flotation, never proved particularly attractive as an investment to the City. Indeed, Mr Branson is now in the process of taking it private once again, through a management buy-out.

The newcomers to the list are headed by one of the great privatisation stocks of 1987: BAA, the airports group, comes into the rankings for the first time, as the 64th biggest company in the UK by market capitalisation. There are several other new issues high up the list of newcomers: London Forfaiting, the trade finance group, which was bold enough to be the first sizable London new issue in the wake of the crash; UK Paper; and AMI Healthcare.

Other newcomers include the products of mergers: FKI Babcock, which comes in at 139, is the result of a get-together between the FKI electronics group and Babcock, the boilermaker.

The bottom of the list also includes a number of relatively small companies growing fast by acquisition, which could have the potential to climb much higher in the years ahead.

Racal Electronics: up from 57 to 35

Defence by flotation

THE 22-place leap made by Racal Electronics in the FT 500 table illustrates what an eventful year it has been for Sir Ernest Harrison's company.

For a time, it seemed possible that the company might not survive the year as an independent entity. After months of speculation, Cable & Wireless, the international telecommunications group, confirmed in June that it had bought a 2.8 per cent stake.

What appears to have prevented a full bid from C&W was Racal's decision to float off its cellular communications subsidiary, Racal Telecom, via an international offering.

The announcement of Racal's plans in April saw its shares rise by around 30 per cent in one day. When Racal Telecom, which operates the Vodafone network, was eventually floated, it was valued at £1.7bn, more than the whole of Racal Electronics before the announcement of its intention to spin off its subsidiary.

The flotation generated plenty of controversy. Some institutions questioned whether an international offering was the best way of ensuring the maximum return to existing shareholders. In order to attract outsiders, it was argued, the shares would have to be offered at a discount.

Racal's largest single shareholder, Millicom, the US electronics group, argued that the Vodafone company should be demerged, with existing Racal holders getting free shares in the new group.

The suggestion was not appreciated by Racal's management. They wanted to use the flotation as an opportunity to raise capital for the rest of the business – in particular, the security and data communications divisions, which they believed had been held back in recent years by the need to invest in Vodafone. Racal's management also wanted to keep a controlling stake in Vodafone.

In the end, the institutions backed Sir Ernest and the flotation went ahead, with Racal selling off a 20 per cent stake in its subsidiary to raise £240m. However, the flotation cannot be classed as an unqualified success.

The shares were priced on a prospective p/e of 30.5, one of the highest ever seen on the London market. Despite many confident analysts' predictions that overseas demand would push the shares to a 20p premium, there was little evidence of any sustained US investor buying, and the shares closed the first week of trading back at the offer price.

There must still be some doubt whether the phenomenal growth achieved by Vodafone to date can continue. Official restrictions may yet be imposed on the group's return on capital; competition from cordless phones may reduce the appeal of cellular units; a slowdown in consumer spending could restrict purchases.

But Racal was still, on November 1, capitalised at only £1.5bn, just £440m more than the value of its 80 per cent stake in Vodafone. Cable & Wireless may have disposed of its stake, but a takeover is not impossible.

What Racal has to do now is to illustrate that it can grow the non-Vodafone parts of its business. The telecom division effectively accounted for all last year's increase in pre-tax profits; five out of the other six divisions showed declining figures. The only non-Vodafone division to improve was marine and energy, back in the black thanks to substantial restructuring following the decline in the oil price.

Racal has had some encouragement in recent months. It won a £300m contract to instal a data communications system linking four large Government departments. But it may need to earn a quick return from the money raised in the Vodafone float, if it is to shake off bid rumours entirely.

Philip Coggan

THE TOP 500 UK COMPANIES BY MARKET CAPITALISATION

Ranking 1988	1987	company	Market Capital £m	Sector	Rank	Turnover This year £m	Turnover Last year £m	per cent change	Profit this year £m	Profit last year £m	per cent change	ROCE	employees	Year end
1	(2)	British Telecom	15,570.0	223	4	10,185.0	9,339.0	9.1	2,292.0	2,067.0	10.9	24.4	237,205	31.3.88
2	(1)	British Petroleum	15,210.0	212	1	27,578.0	27,171.0	1.5	2,387.0	958.0	149.2	14.1	126,400	31.12.87
3	(3)	Shell Transport & Trading	11,439.1	212	–	–	–	–	–	–	–	–	–	*31.12.87
4	(7)	British Gas	7,553.0	222	5	7,364.0	7,610.0	-3.2	1,255.0	1,290.0	-2.7	19.5	82,300	31.3.88
5	(5)	Imperial Chemical Industries	7,396.2	622	3	11,123.0	10,136.0	9.7	1,312.0	1,016.0	29.1	24.0	127,800	31.12.87
6	(4)	Glaxo Holdings	7,349.9	433	56	1,741.0	1,429.0	21.8	746.0	612.0	21.9	56.3	24,954	30.6.87
7	(6)	BAT Industries	6,337.3	171	2	14,589.0	16,430.0	-11.2	1,394.0	1,393.0	0.1	23.2	168,949	31.12.87
8	(10)	Hanson	5,635.2	171	6	6,682.0	4,312.0	55.0	741.0	464.0	59.7	20.3	88,000	30.9.87
9	(12)	BTR	4,658.4	591	15	4,149.2	4,019.2	3.2	590.3	504.8	16.9	29.8	81,800	31.12.87
10	(8)	Marks and Spencer	4,617.4	491	13	4,577.6	4,220.8	8.5	501.7	432.1	16.1	28.7	68,450	31.3.88
11	(17)	Barclays	4,498.5	112	–	–	–	–	339.0	895.0	-62.1	†14.2	113,200	31.12.87
12	(20)	Wellcome	4,391.0	433	79	1,132.4	1,005.4	12.6	169.1	125.3	35.0	24.4	19,338	29.8.87
13	(11)	National Westminster Bank	4,350.6	112	–	–	–	–	704.0	1,011.0	-30.4	†18.8	88,387	31.12.87
14	(14)	Grand Metropolitan	4,340.2	421	7	5,705.5	5,291.3	7.8	456.1	367.7	24.0	18.9	129,436	30.9.87
15	(9)	General Electric	4,132.9	541	8	5,565.0	5,247.0	5.8	708.0	668.4	5.9	19.3	157,262	31.3.88
16	(19)	Cable & Wireless	3,753.1	533	95	932.4	912.9	2.1	356.1	340.5	4.6	25.5	26,328	31.3.88
17	(13)	Unilever	3,752.9	451	9	5,428.0	5,949.0	-8.8	460.0	432.0	6.5	20.0	–	31.12.87
18	(16)	Beecham Group	3,496.3	433	32	2,480.2	2,769.5	-10.4	406.5	353.3	15.1	31.6	35,800	31.3.88
19	(15)	Sainsbury J	3,391.4	493	12	4,791.5	3,857.1	24.2	308.4	246.9	24.9	32.9	82,607	19.3.88
20	(22)	RTZ Corporation	3,264.0	634	21	3,391.1	3,343.9	1.4	594.3	601.7	-1.2	20.7	78,705	31.12.87
21	(25)	Allied-Lyons	3,136.3	421	14	4,236.0	3,615.0	17.2	436.0	341.0	27.9	16.5	78,128	07.3.88
22	(18)	Prudential Corporation	2,997.1	141	–	–	–	–	242.4	206.5	17.4	r–	24,622	31.12.87
23	(27)	Land Securities	2,859.3	161	–	–	–	–	133.6	120.6	10.8	6.9	438	31.3.88
24	(24)	Guinness	2,742.1	421	28	2,818.0	3,101.0	-9.1	408.0	376.0	8.5	21.1	24,919	*31.12.87
25	(23)	Bass	2,680.7	421	22	3,213.4	2,709.7	18.6	365.0	310.4	17.6	22.9	79,348	30.9.87
26	(21)	Great Universal Stores	2,632.9	495	34	2,366.1	2,290.9	3.3	345.0	297.7	15.9	17.9	33,267	31.3.87
27	(26)	Lloyds Bank	2,490.6	112	–	–	–	–	248.0	700.0	-64.6	†13.1y	76,186	31.12.87
28	(68)	Cadbury Schweppes	2,390.1	451	46	2,031.0	1,839.9	10.4	176.1	130.7	34.7	27.3	12,620	02.1.88
29	(73)	Midland Bank	2,377.6	112	–	–	–	–	505.0	434.0	-216.4	a–	58,778	31.12.87
30	(85)	Rowntree	2,296.5	451	67	1,427.6	1,290.4	10.6	112.1	84.0	33.5	20.2	33,120	02.1.88
31	(32)	Tesco Stores (Holdings)	2,274.6	493	16	4,119.1	3,593.0	14.6	230.6	175.9	31.1	29.2	71,262	27.2.88
32	(28)	P & O Steam Navigation	2,234.6	303	27	2,920.2	1,981.7	47.4	274.7	174.1	57.8	20.7	48,126	31.12.87
33	(37)	Consolidated Gold Fields	2,210.7	631	105	864.5	893.3	-3.2	244.4	110.9	120.4	28.7	12,486	30.6.87
34	(29)	Reed International	2,207.3	652	48	2,011.0	1,950.0	3.1	243.0	201.0	20.9	36.3	31,300	31.3.88
35	(57)	Racal Electronics	2,130.3	551	69	1,366.8	1,290.8	5.9	138.0	100.3	37.6	19.8	31,910	31.3.88
36	(30)	Boots	2,100.6	494	30	2,697.1	2,351.7	–	267.2	242.8	–	27.6	72,073	*31.3.88
37	(45)	Trusthouse Forte	1,981.7	464	54	1,778.0	1,477.0	20.4	180.0	136.0	32.4	13.5	71,000	31.10.87
38	(35)	BOC Group	1,958.6	622	49	1,959.1	1,944.6	0.7	263.2	85.4	208.2	16.9	37,488	30.9.87
39	(33)	Royal Insurance	1,947.0	151	–	–	–	–	274.0	304.8	-10.1	r–	11,504	31.12.87
40	(44)	Sun Alliance & London Insur.	1,946.8	151	–	–	–	–	171.5	180.4	-4.9	r–	12,707	31.12.87
41	(34)	Sears	1,821.1	492	35	2,359.7	2,480.3	-4.9	245.7	218.7	12.3	20.1	63,065	31.1.88
42	(72)	Ladbroke Group	1,820.1	461	42	2,135.4	1,765.6	20.9	160.2	101.3	58.1	16.3	32,167	31.12.87
43	(61)	Thorn Emi	1,806.2	461	24	3,054.0	3,203.2	-4.7	225.3	159.5	41.3	19.8	66,630	31.3.88
44	(36)	Asda Group	1,778.5	493	29	2,728.6	2,667.1	2.3	218.3	195.5	11.7	27.8	45,035	*30.4.88
45	(31)	Reuters Holdings	1,770.0	474	104	866.9	620.9	39.6	178.8	130.1	37.4	66.4	8,608	31.12.87
46	(43)	Dee Corporation	1,696.9	493	10	5,144.1	4,838.6	6.3	185.8	192.2	-3.3	24.6	76,431	30.4.88
47	(41)	General Accident	1,686.6	151	–	–	–	–	204.4	123.2	65.9	r–	12,272	31.12.87
48	(46)	MEPC	1,686.6	161	–	–	–	–	80.2	58.4	37.3	7.8	801	30.9.87
49	(39)	Tarmac	1,680.0	613	40	2,163.0	1,718.3	125.9	265.4	170.5	55.7	38.0	28,031	31.12.87
50	(42)	Argyll Group	1,671.6	493	20	3,409.9	2,128.2	–	175.6	80.6	–	†40.9	63,247	*02.4.88
51	(48)	BET	1,640.7	171	47	2,015.1	1,576.4	27.8	216.4	157.4	37.5	34.3	118,103	02.4.88
52	(38)	TSB Group	1,605.0	112	–	–	–	–	275.5	205.6	–	†18.3	32,050	*31.10.87
53	(58)	Rank Organisation	1,583.9	461	128	668.4	718.1	-6.9	208.3	164.1	26.9	26.0	19,544	31.10.87
54	(69)	Commercial Union	1,574.7	151	–	–	–	–	170.1	119.1	42.8	r–	18,070	*31.12.87
55	(40)	Pilkington Brothers	1,561.9	611	36	2,332.9	2,103.4	10.9	302.3	256.0	18.1	24.3	56,700	31.3.88
56	(65)	Trafalgar House	1,559.7	171	41	2,137.7	1,739.0	22.9	163.2	145.8	11.9	19.5	32,301	30.9.87
57	(70)	Pearson	1,559.0	171	92	952.2	952.6	–	151.8	121.1	25.4	23.8	23,250	31.12.87
58	(59)	Guardian Royal Exchange	1,503.2	151	–	–	–	–	165.0	143.8	14.7	r–	7,670	31.12.87
59	(56)	STC	1,488.4	551	43	2,066.6	1,933.4	6.9	188.0	134.2	40.1	29.7	34,904	31.12.87
60	(63)	Legal & General Group	1,457.9	141	–	–	–	–	68.3	73.5	-7.1	r–	6,158	31.12.87
61	(53)	Reckitt & Colman	1,404.2	431	63	1,492.6	1,329.4	12.3	167.6	139.5	20.2	35.0	31,800	02.1.88
62	(82)	Ranks Hovis McDougall	1,381.7	451	61	1,543.8	1,414.2	9.2	116.1	98.2	18.2	28.8	35,686	*05.9.87
63	(106)	Enterprise Oil	1,378.1	213	213	227.9	278.8	-18.3	72.5	51.0	42.2	12.5	177	*31.12.87
64	(–)	BAA	1,368.6	306	144	524.0	439.0	19.4	166.0	124.0	33.9	19.1	7,795	*31.3.88
65	(84)	Maxwell Communications Corp.	1,326.0	472	101	884.1	461.7	91.5	166.0	80.3	106.7	32.2	16,992	*31.12.87
66	(74)	Whitbread	1,318.4	421	58	1,688.7	1,553.9	8.7	187.2	158.9	17.8	13.8	49,174	27.2.88
67	(54)	Smith & Nephew Associates	1,315.3	431	139	546.4	480.1	13.8	109.6	88.2	24.3	27.4	14,365	02.1.88
68	(50)	Associated British Foods	1,313.9	451	37	2,272.0	2,202.0	3.2	210.4	190.5	10.4	13.5	53,877	02.4.88
69	(49)	Coats Viyella	1,311.3	412	52	1,794.8	1,750.0	2.6	212.8	181.7	17.1	25.6	68,485	31.12.87
70	(51)	Fisons	1,303.1	433	121	720.1	663.7	8.5	109.1	85.1	28.2	29.4	10,413	31.12.87
71	(47)	Courtaulds	1,296.1	621	33	2,421.2	2,261.9	7.0	220.6	201.1	9.7	25.9	68,500	31.3.88
72	(95)	Rothmans International	1,287.3	429	72	1,297.8	1,495.3	-13.2	288.8	195.5	47.7	27.9	13,991	31.3.88
73	(52)	Burton Group	1,273.2	491	70	1,338.6	1,217.2	10.0	183.4	148.7	23.3	29.8	33,428	31.12.87
74	(77)	United Biscuits	1,260.3	451	50	1,954.6	1,932.5	1.1	147.0	125.2	17.4	21.4	39,294	02.1.88
75	(66)	Woolworth Holdings	1,238.5	491	38	2,172.0	1,828.0	18.8	177.0	115.3	53.5	20.7	55,783	30.1.88
76	(112)	Scottish & Newcastle Breweries	1,204.4	421	97	911.5	827.5	10.2	113.1	90.3	25.2	3.9	22,092	01.5.88
77	(83)	Hillsdown Holdings	1,192.0	451	25	3,038.6	1,702.6	78.5	110.3	54.9	100.9	26.9	44,102	31.12.87
78	(55)	Plessey	1,173.4	551	71	1,300.9	1,429.7	-9.0	172.1	184.2	-6.6	23.7	30,138	01.4.88
79	(71)	British Airways	1,169.0	301	19	3,756.0	3,263.0	15.1	228.0	162.0	40.7	28.6	43,969	31.3.88
80	(97)	Amstrad	1,162.5	551	146	511.8	304.1	68.3	135.7	75.3	80.2	165.2	875	30.6.87
81	(75)	Redland	1,117.9	611	68	1,425.0	979.1	45.5	185.1	130.7	41.6	20.0	17,027	26.3.88
82	(64)	BPB Industries	1,115.5	611	103	869.7	750.5	15.9	182.3	144.7	26.0	40.4	11,810	31.3.88
83	(79)	Blue Circle Industries	1,105.3	611	82	1,068.7	1,098.0	-2.7	155.0	127.0	22.0	13.0	16,624	31.12.87
84	(96)	Lonrho	1,077.9	171	26	3,013.9	2,651.0	13.7	200.2	165.1	21.3	17.3	124,484	30.9.87
85	(87)	Hammerson Property	1,066.4	161	–	–	–	–	54.3	49.3	10.0	6.4	433	31.12.87
86	(86)	Storehouse	1,055.2	491	78	1,170.6	1,120.6	4.5	121.1	129.2	-6.3	23.2	32,404	02.4.88
87	(92)	Royal Bank of Scotland	1,052.3	112	–	–	–	–	197.2	184.5	6.9	†23.8	19,008	30.9.87
88	(60)	Rolls-Royce	1,041.9	521	44	2,059.0	1,802.0	14.3	156.0	120.0	30.0	18.8	42,000	31.12.87
89	(79)	British Aerospace	1,032.6	523	17	4,075.0	3,137.0	29.9	159.0	182.0	-187.4	a–	86,800	31.12.87
90	(81)	Cookson Group	984.7	591	110	835.9	673.1	24.2	144.0	95.0	52.3	29.2	11,953	31.12.87
91	(89)	Hawker Siddeley Group	981.3	591	55	1,743.0	1,608.0	8.4	163.2	152.1	7.3	15.3	42,700	31.12.87
92	(98)	English China Clays	951.5	631	118	762.5	688.6	10.7	112.1	90.4	24.0	23.0	12,311	30.9.87
93	(94)	Burmah Oil	932.4	214	77	1,195.5	1,322.0	-9.6	128.9	105.9	21.7	25.3	10,153	31.12.87
94	(105)	Lucas Industries	915.2	571	59	1,670.6	1,619.2	3.2	114.5	95.2	20.3	17.6	62,572	31.7.87
95	(115)	Abbey Life	912.8	141	–	–	–	–	46.8	36.0	30.0	r–	1,953	31.12.87
96	(107)	Next	908.7	491	76	1,199.7	190.0	–	122.5	92.4	–	52.6	17,675	*31.1.88
97	(101)	RMC Group	903.0	611	53	1,788.7	1,633.5	9.5	150.7	108.5	38.9	23.4	20,980	31.12.87
98	(197)	Williams Holdings	898.4	591	155	462.7	206.2	124.5	57.2	22.9	149.9	28.9	8,665	31.12.87
99	(93)	Granada Group	885.0	461	87	1,020.1	841.4	21.2	111.1	92.4	20.2	21.5	19,800	03.10.87
100	(122)	Pearl Group	873.0	141	–	–	–	–	43.4	38.2	13.6	r–	8,713	31.12.87
101	(109)	Harrisons & Crosfield	868.6	512	62	1,532.0	1,411.0	8.6	109.0	83.8	30.1	19.6	26,198	31.12.87
102	(119)	Ultramar	834.1	213	85	1,042.0	1,295.8	-19.6	106.0	74.8	41.7	16.1	3,431	31.12.87
103	(108)	United Newspapers	816.8	473	122	716.6	620.3	15.5	95.6	56.6	68.8	95.7	13,775	31.12.87
104	(113)	Slough Estates	816.1	161	–	–	–	–	77.4	66.4	16.6	10.0	22,092	*31.12.87
105	(80)	Standard Chartered	813.8	112	–	–	–	–	273.8	253.9	-207.8	a–	5,293	31.12.87
106	(62)	British & Commonwealth Hldgs	806.0	303	96	919.7	432.4	–	145.5	51.5	–	10.9	18,223	*31.12.87
107	(91)	Sedgwick Group	791.1	142	–	–	–	–	101.1	135.5	-25.4	29.0	14,231	31.12.87
108	(141)	Inchcape	773.1	171	45	2,038.6	1,997.2	2.1	116.2	86.1	35.0	23.1	44,367	31.12.87
109	(236)	Blue Arrow	765.1	481	163	406.7	97.1	318.7	29.1	8.7	234.8	71.9	8,003	31.10.87
110	(103)	GKN	757.8	571	51	1,900.6	2,059.4	-7.7	146.5	132.4	10.6	15.6	39,385	31.12.87
111	(100)	Unigate	755.0	451	39	2,165.0	1,970.0	9.9	94.0	104.7	-10.2	24.1	34,922	31.3.88
112	(111)	BICC	750.4	541	31	2,489.0	2,143.0	16.1	128.0	101.0	26.7	25.2	44,400	31.12.87
113	(102)	Metal Box	748.9	672	75	1,239.3	1,137.7	8.9	94.1	82.2	14.5	26.3	28,188	31.3.88
114	(127)	Smiths Industries	746.5	566	158	430.0	401.2	7.2	65.7	56.5	16.2	30.2	11,047	01.8.87
115	(156)	London & Scot Marine Oil	743.9	213	252	172.0	183.8	-6.4	36.0	4.0	800.0	9.1	301	*31.12.87
116	(104)	Dalgety	739.7	451	11	5,003.0	4,910.0	1.9	92.5	75.0	23.3	24.8	23,966	30.6.87
117	(154)	British Land	739.1	161	–	–	–	–	56.4	30.1	87.4	9.4	479	31.3.88
118	(116)	Bank of Scotland	730.3	112	–	–	–	–	131.3	118.5	10.8	†28.1	13,426	29.2.88
119	(76)	Dixons Group	725.2	495	81	1,111.1	943.4	17.8	102.6	78.1	31.4	48.4	12,130	02.5.87
120	(123)	Siebe	712.1	591	84	1,056.7	675.2	56.5	118.4	62.1	90.7	22.3	28,169	02.4.88
121	(125)	Beresford S & W	693.1	451	23	3,055.1	3,928.5	-22.2	87.5	148.3	-41.0	16.9	9,937	*30.9.87
122	(120)	Wimpey (George)	691.1	613	65	1,442.0	1,422.0	1.4	95.8	66.5	44.1	16.0	16,600	31.12.87
123	(126)	Sun Life Assurance Society	685.0	141	–	–	–	–	20.9	17.4	20.1	r–	2,725	*31.12.87
124	(133)	Northern Foods	672.0	451	88	1,019.2	1,348.2	-24.4	77.3	75.2	2.8	25.1	23,077	31.3.88
125	(110)	Associated Newspapers Hldgs	663.4	472	134	581.0	519.9	11.8	59.0	45.9	28.5	13.9	12,958	30.9.87
126	(139)	Calor Group	660.1	214	174	350.3	354.3	-1.1	74.2	70.3	5.5	25.8	3,808	*31.3.88
127	(130)	Taylor Woodrow	659.0	613	106	861.7	742.3	16.1	73.1	57.6	26.9	13.3	8,576	31.12.87
128	(114)	IMI	654.5	671	107	860.8	780.3	10.3	92.3	73.3	25.9	22.6	21,268	31.12.87
129	(145)	Ferranti International Signal	628.1	551	112	822.1	628.7	30.8	68.0	50.2	35.5	31.4	26,980	*31.3.88
130	(88)	Bunzl	620.8	652	64	1,471.6	1,069.4	37.6	85.7	64.5	32.9	20.9	16,827	31.12.87
131	(144)	Tate & Lyle	617.6	451	57	1,700.6	1,645.3	3.4	92.0	81.5	12.9	19.2	13,029	27.9.87
132	(131)	Willis Faber	609.0	142	–	–	–	–	60.9	74.8	-18.6	35.6	3,936	31.12.87
133	(129)	Warburg S G Group	598.8	121	–	–	–	–	111.1	98.0	13.3	†31.2	2,602	31.3.88
134	(90)	Saatchi & Saatchi	588.1	475	18	3,954.2	2,087.0	89.5	124.1	70.1	77.0	73.8	15,630	30.9.87
135	(121)	Laporte Industries	586.0	622	191	298.5	270.6	10.3	75.2	64.2	17.1	28.8	4,249	03.1.88
136	(136)	De La Rue	585.5	472	152	483.7	444.1	8.9	62.4	55.6	12.2	22.8	11,826	31.3.88
137	(168)	Wolseley	565.4	571	90	977.0	739.1	32.2	75.2	50.3	49.7	29.5	12,189	31.7.87
138	(168)	Costain Group	557.8	613	109	839.8	739.6	13.5	66.2	64.3	3.0	18.1	11,009	31.12.87
139	(–)	FKI Babcock	555.4	563	98	904.1	83.6	–	48.6	11.3	–	†14.8	21,221	*31.3.88
140	(157)	Carlton Communications	553.8	463	303	112.3	58.3	92.7	33.7	18.8	79.1	38.8	1,236	30.9.87
141	(178)	Polly Peck International	544.7	406	169	380.8	273.7	39.1	86.2	70.4	22.4	40.4	5,294	29.8.87
142	(128)	Smith (W H) Group	538.8	491	60	1,662.0	1,460.5	13.8	70.6	63.8	10.6	24.0	30,780	*28.5.88
143	(142)	Booker	535.8	591	73	1,263.6	1,263.1	–	64.3	54.6	17.8	35.9	12,574	31.12.87
144	(163)	Great Portland Estates	533.7	161	–	–	–	–	24.7	21.1	16.9	7.3	–	31.3.88
145	(140)	Rothschild J Holdings	532.0	121	–	–	–	–	110.8	100.9	9.8	13.1	228	31.3.88
146	(150)	Glynwed International	526.7	433	137	556.2	478.9	16.1	60.4	46.1	31.0	38.8	11,290	26.12.87
147	(138)	Kwik Save Group	518.9	493	111	826.1	762.9	8.3	46.6	42.2	10.3	†37.2	7,742	*29.8.87
148	(124)	Beazer C H Holdings	511.3	613	86	1,033.0	507.1	103.7	72.3	31.1	132.5	33.5	16,318	30.6.87
149	(198)	Savoy Hotel	510.6	464	349	74.1	64.8	14.3	14.3	12.1	18.2	26.7	26,527	31.12.87
150	(99)	Jaguar	510.1	401	89	1,002.1	830.4	20.7	97.0	120.8	-19.7	28.7	12,483	31.12.87
151	(149)	Kleinwort Benson Group	507.1	121	–	–	–	–	64.3	78.8	-18.4	22.7	2,933	*31.12.87
152	(118)	Rosehaugh	506.1	161	–	–	–	–	15.1	6.6	129.2	11.7	130	30.6.87
153	(148)	Johnson Matthey	503.5	641	74	1,243.3	1,089.9	14.1	60.6	50.5	20.0	20.9	6,984	31.3.88
154	(159)	Norcros	501.8	592	125	682.3	607.2	12.4	65.3	53.2	22.7	38.9	13,667	31.3.88
155	(175)	TI Group	500.8	566	108	855.9	1,043.6	-18.0	62.3	43.4	43.5	24.4	21,000	31.12.87
156	(173)	Avis Europe	495.6	306	151	486.5	372.4	30.6	54.6	38.3	42.6	36.3	5,896	*29.2.88
157	(167)	Salvesen (Christian)	479.0	302	192	298.2	204.8	45.5	46.6	42.0	11.0	22.3	6,910	31.3.88
158	(154)	Bowater Industries	478.6	651	80	1,128.0	994.0	13.5	54.5	48.0	13.5	16.4	20,700	31.12.87
159	(147)	Morgan Grenfell	474.5	121	–	–	–	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	*31.12.87
160	(165)	Hepworth Ceramic Holdings	472.2	[illegible]	141	415.4	362.4	14.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
161	(151)	Associated British Ports	471.1	303	235	196.7	157.1	25.2	38.1	26.0	46.5	20.8	3,350	31.12.87
162	(160)	DRG	464.1	652	120	726.4	680.2	6.8	50.2	41.2	21.8	25.8	13,289	31.12.87
163	(117)	T & N	457.9	591	91	961.0	541.0	77.6	77.3	44.7	72.9	18.3	39,566	31.12.87
164	(146)	Dowty Group	449.0	561	131	624.8	573.5	8.9	64.1	55.7	15.1	21.0	16,617	31.3.88
165	(171)	Delta Group	446.8	563	143	532.3	533.6	-0.2	64.2	57.8	11.1	29.3	14,000	02.1.88
166	(207)	Mount Charlotte Investments	445.5	464	328	93.4	64.9	43.8	29.0	18.6	55.6	19.5	4,524	27.12.87
167	(137)	Magnet	429.9	611	170	375.6	318.7	17.8	57.5	44.2	30.2	23.7	6,604	31.3.88
168	(155)	Electrocomponents	428.1	551	186	310.9	243.0	27.9	46.7	40.5	15.3	42.5	3,225	31.3.88
169	(453)	Yale and Valor	420.8	591	193	295.8	129.1	129.1	34.5	10.5	228.6	31.2	6,158	31.3.88
170	(153)	Vickers	419.6	566	117	788.3	691.8	13.9	62.6	54.0	15.9	21.0	16,731	31.12.87
171	(211)	Coloroll	415.3	591	202	257.6	123.6	108.4	26.1	10.3	153.4	16.6	6,613	31.3.88
172	(179)	Ratners Group	411.6	495	172	360.2	158.2	–	52.7	22.7	–	38.3	9,478	*30.1.88
173	(158)	Hazlewood Foods	411.3	451	171	361.4	189.2	91.0	33.8	18.6	81.7	48.2	6,033	31.3.88
174	(164)	Hambros	404.4	121	–	–	–	–	69.8	60.8	14.9	†30.1	5,467	31.3.88
175	(170)	Steetley	403.0	611	150	486.6	418.8	16.2	60.3	44.3	36.2	27.1	6,763	31.12.87
176	(139)	Mountleigh Group	398.1	161	–	–	–	–	70.7	33.6	110.4	32.1	112	30.4.88
177	(185)	Rentokil Group	397.5	622	290	174.0	166.9	4.3	37.6	31.3	20.3	48.1	9,090	31.12.87
178	(161)	Marley	394.5	611	136	565.7	556.6	1.6	55.2	34.2	61.4	20.0	10,876	*31.12.87
179	(174)	Charter Consolidated	391.2	611	94	948.3	805.3	17.8	55.4	42.2	31.3	14.4	12,369	31.3.88
180	(199)	Rugby Group	388.5	611	164	401.9	313.3	28.3	58.9	35.5	66.1	24.3	5,323	31.12.87
181	(152)	Harris Queensway Group	385.6	491	129	660.0	592.2	11.4	16.9	50.1	-66.3	11.4	12,320	*31.1.88
182	(270)	Queens Moat Houses	383.4	464	265	156.6	100.9	55.2	24.8	14.9	66.3	9.6	9,202	31.12.87
183	(192)	Meyer International	378.6	611	123	712.5	616.3	15.6	63.1	45.1	39.8	27.6	9,163	31.3.88
184	(132)	Pentland Industries	373.8	171	149	487.4	437.1	11.5	68.0	77.3	-12.0	94.7	1,123	31.12.87
185	(194)	Caledonia Investments	369.8	131	–	–	–	–	12.6	9.1	38.6	2.8	347	31.3.88
186	(188)	Fisher (Albert)	368.1	451	203	247.6	116.0	113.4	18.5	8.5	116.7	54.7	1,888	31.8.87
187	(162)	Dawson International	362.1	411	173	355.3	334.4	6.2	47.0	46.7	0.7	23.2	10,833	31.3.88
188	(186)	Lex Service Group	357.0	571	66	1,439.9	1,111.3	29.6	47.0	26.6	76.7	26.6	7,448	27.12.87
189	(212)	Dunhill Holdings	354.5	406	257	164.8	151.5	8.8	35.2	24.8	42.2	34.3	1,782	31.3.88
190	(205)	Wilson (Connolly) Holdings	353.3	613	272	146.1	115.4	26.6	37.4	26.2	42.7	37.0	706	31.12.87
191	(210)	Greycoat Group	353.0	161	–	–	–	–	17.1	9.1	87.9	6.9	54	31.3.88
192	(213)	Pleasurama	351.6	461	208	241.2	191.8	25.8	44.3	42.3	4.7	26.4	8,878	31.12.87
193	(180)	Ward White Group	351.5	491	119	755.0	559.6	34.9	65.5	41.3	58.6	24.4	16,869	31.1.88
194	(183)	London International Group	350.1	431	190	302.7	252.1	20.1	31.5	27.1	16.2	38.8	9,790	31.3.88
195	(191)	APV	349.9	563	124	703.6	416.8	68.8	40.7	27.5	48.0	31.9	12,800	*31.12.87
196	(242)	Ibstock Johnsen	349.6	611	273	145.4	130.9	11.1	35.9	18.5	93.7	37.1	2,690	31.12.87
197	(172)	First National Finance	345.2	122	–	–	–	–	53.1	36.4	45.8	16.5	993	31.10.87
198	(190)	Allied Colloids Group	341.4	622	259	163.0	142.8	14.1	35.4	29.2	21.2	44.6	1,848	02.4.88
199	(181)	BBA Group	339.8	571	126	672.6	553.2	21.6	41.2	26.6	54.9	17.5	17,685	31.12.87
200	(189)	Barratt Developments	338.3	614	157	432.5	444.3	-2.7	39.2	25.4	54.3	18.4	3,100	30.6.87
201	(195)	Transport Development Group	335.9	302	138	548.6	543.2	1.0	43.5	39.4	10.5	20.0	13,382	31.12.87
202	(208)	Coalite Group	335.6	622	132	615.6	492.9	24.9	45.5	43.0	5.9	29.6	6,847	31.3.88
203	(182)	Atlantic Computers	333.1	482	130	630.7	436.1	44.6	38.2	27.9	36.9	21.6	1,134	*31.12.87
204	(240)	Security Services	324.5	406	180	334.0	309.9	7.8	16.1	12.7	26.3	22.8	35,577	30.9.87
205	(184)	Ocean Transport & Trading	322.0	303	93	950.0	827.0	14.9	41.2	37.4	10.2	21.5	9,018	31.12.87
206	(204)	London & Manchester Group	320.6	141	–	–	–	–	12.1	9.4	29.2	r–	2,157	*31.12.87
207	(215)	Mowlem (John)	318.5	613	116	793.0	636.0	24.7	50.2	30.1	66.8	32.1	13,582	31.12.87
208	(222)	EMAP	305.8	473	241	187.9	116.6	61.1	25.0	15.0	66.4	84.3	4,034	02.4.88
209	(224)	Greenall Whitley	302.1	421	160	429.4	387.4	10.8	39.2	35.3	11.0	13.0	17,373	25.9.87
210	(202)	Daily Mail & General Trust	299.3	121	–	–	–	–	31.6	26.4	19.9	11.2	13	30.9.87
211	(206)	Morgan Crucible	298.7	591	179	334.5	242.1	38.2	31.1	24.8	25.4	20.9	9,088	03.1.88
212	(187)	MAI	298.0	122	–	–	–	–	52.6	40.0	31.5	69.7	3,829	30.6.87
213	(233)	Tootal Group	295.4	412	147	503.8	408.4	23.4	40.3	30.2	33.4	23.1	14,627	31.1.88
214	(209)	Tomkins F.H.	294.4	671	185	312.3	207.1	50.8	47.1	30.1	56.3	37.7	7,684	30.4.88
215	(299)	Birmid Qualcast	292.7	563	220	217.4	203.8	6.7	22.6	13.1	72.5	32.0	6,958	31.10.87
216	(239)	Laing Properties	289.2	161	–	–	–	–	20.3	17.7	15.0	8.3	550	31.12.87
217	(214)	Laing (John)	287.5	613	83	1,063.8	864.4	23.1	45.7	38.1	19.9	29.8	12,400	31.12.87
218	(256)	Bryant Group	284.2	614	232	201.1	157.4	27.8	28.4	13.5	110.4	30.6	876	31.5.87
219	(257)	Vaux Group	283.0	421	244	181.7	163.5	11.1	21.6	17.5	23.3	16.2	6,664	03.10.87
220	(253)	Amec	281.7	613	115	793.6	711.0	11.6	34.5	30.5	13.1	31.8	16,220	31.12.87
221	(248)	Croda International	278.5	621	176	339.5	342.7	-1.0	31.8	27.1	17.2	26.0	5,028	27.12.87
222	(248)	Wolverhampton & Dudley Brews	278.4	421	290	123.3	113.1	9.0	22.3	18.9	18.0	12.3	5,984	27.9.87
223	(237)	London Merchant Securities	276.6	161	–	–	–	–	17.0	16.8	0.9	7.8	61	31.3.88
224	(243)	M & G Group	276.2	122	–	–	–	–	23.3	15.5	50.1	51.8	430	30.9.87
225	(200)	Schroders	273.3	121	–	–	–	–	24.9	21.0	18.7	r–	1,232	31.12.87
226	(260)	British Vita	271.2	622	198	271.3	237.2	14.4	28.3	19.8	43.1	38.6	7,974	31.12.87
227	(265)	Brixton Estate	268.0	161	–	–	–	–	13.2	10.8	22.6	8.0	108	31.12.87
228	(234)	Stakis	263.3	461	298	114.5	123.3	-7.2	19.1	15.4	24.2	14.4	5,469	27.9.87
229	(219)	U.E.I.	261.8	551	276	141.9	115.0	23.4	25.1	17.0	47.4	43.7	2,283	31.1.88
230	(335)	Body Shop International	260.7	495	391	28.5	17.4	63.7	6.0	3.5	73.9	127.2	351	30.9.87
231	(297)	Securicor Group	256.6	406	167	381.9	356.4	7.2	20.0	16.4	21.7	22.6	36,331	30.9.87
232	(241)	Collins (William) & Sons	254.7	472	260	162.7	144.4	12.6	24.1	15.5	55.1	35.3	3,083	27.12.87
233	(285)	Pilgrim House Group	252.9	541	249	177.6	164.1	8.2	21.9	17.7	23.9	25.0	6,627	*02.10.87
234	(176)	Britannia Arrow Holdings	252.7	122	–	–	–	–	41.9	29.5	41.9	27.2	1,499	*31.12.87
235	(268)	Suter	252.1	171	239	190.4	134.4	41.7	26.7	14.9	79.2	61.2	5,187	31.12.87
236	(196)	Ashley (Laura)	251.5	411	230	201.5	170.9	17.9	23.1	22.5	2.7	29.1	6,951	30.1.88
237	(220)	Bowthorpe Holdings	250.7	541	261	162.6	145.5	11.8	32.5	28.0	16.0	41.8	3,622	31.12.87
238	(228)	Morrison (William) Supermarkets	245.7	493	153	482.1	423.3	13.9	26.9	22.3	20.8	46.5	8,673	30.1.88
239	(247)	Smith (David S)	244.7	652	199	268.3	201.2	33.3	30.7	24.2	26.7	35.1	4,800	30.4.88
240	(203)	Wates City of London Prop	241.6	161	–	–	–	–	10.8	8.4	29.3	5.8	19	*31.12.87
241	(271)	Premier Consolidated Oilfields	239.6	213	397	26.3	20.3	29.2	14.3	8.6	65.8	16.8	116	31.3.88
242	(232)	London & Edinburgh Trust	239.4	161	–	–	–	–	34.7	15.1	129.4	22.6	112	31.12.87
243	(263)	Britannic Assurance	239.0	141	–	–	–	–	10.3	8.6	19.8	r–	4,474	*31.12.87
244	(246)	Powell Duffryn	237.4	306	135	570.5	559.2	2.0	33.0	27.0	22.2	23.2	8,923	31.3.88
245	(392)	WPP Group	237.1	475	195	284.1	23.7	1099.4	14.1	1.8	702.5	‡15.9	5,366	31.12.87
246	(277)	Hambro Countrywide	235.2	161	–	–	–	–	25.3	16.3	54.9	102.3	3,099	31.12.87
247	(244)	Fitch Lovell	233.4	451	142	538.7	457.7	17.7	27.8	23.1	20.5	32.3	8,583	*30.4.88
248	(225)	Amersham International	233.4	431	256	165.0	148.5	11.1	25.3	22.1	14.6	29.0	3,034	31.3.88
249	(245)	Refuge Group	226.5	141	–	–	–	–	9.8	8.2	19.0	r–	3,655	31.12.87
250	(337)	Peachey Property Corporation	224.3	161	–	–	–	–	11.6	10.2	13.3	9.4	44	24.7.87
251	(281)	McKechnie	223.0	671	206	244.0	212.3	14.9	27.6	19.1	44.9	26.7	5,948	31.7.87
252	(293)	Brent Walker Holdings	222.2	461	355	70.9	32.7	116.8	20.8	7.2	188.9	23.0	2,245	31.12.87
253	(293)	Scapa Group	221.9	591	207	242.1	229.8	5.3	35.8	34.3	4.5	24.4	6,672	31.3.88
254	(369)	Clyde Petroleum	219.8	213	383	36.8	22.5	63.6	7.5	1.0	860.0	10.0	69	31.12.87
255	(264)	Norton Opax	217.2	472	201	260.5	72.1	–	25.0	5.2	–	‡44.7	6,004	*30.9.87
256	(235)	McCarthy & Stone	216.5	613	318	98.9	67.1	47.4	24.9	16.1	54.7	33.6	1,695	31.8.87
257	(226)	Farnell Electronics	215.8	551	294	118.2	98.3	20.3	25.7	23.4	9.6	39.0	1,831	31.1.88
258	(318)	Mecca Leisure	215.5	461	286	128.7	128.6	0.1	14.9	8.3	79.6	24.9	7,108	30.9.87
259	(273)	St Ives Group	215.5	471	322	96.1	81.5	18.0	13.8	9.8	41.4	35.9	1,932	*31.7.87
260	(266)	Carless	212.4	213	288	125.7	104.9	19.8	6.8	2.2	206.6	7.8	640	*31.3.88
261	(236)	Bejam Group	212.2	493	148	496.8	399.5	24.4	23.6	19.7	19.7	39.1	6,892	*04.7.87
262	(259)	Northern Engineering Inds	211.5	541	113	804.6	937.5	-14.2	32.2	23.2	38.8	19.3	22,035	31.12.87
263	(262)	Evered Holdings	208.5	631	211	231.3	97.5	137.3	25.5	10.6	140.8	45.9	4,405	31.12.87
264	(272)	Foseco Minsep	208.0	621	145	515.1	538.7	-4.4	35.2	26.4	33.3	22.6	9,668	31.12.87
265	(255)	Laird Group	204.5	591	165	395.6	363.1	9.0	32.6	28.2	15.6	29.6	9,356	31.12.87
266	(330)	Baird (William)	202.6	412	194	290.5	252.5	15.0	25.7	18.7	37.8	22.1	12,463	31.12.87
267	(338)	Coates Brothers	202.1	621	224	209.4	194.4	7.7	21.9	14.3	53.5	26.1	3,607	31.12.87
268	(291)	Telephone Rentals	200.2	533	309	106.3	97.9	8.6	19.6	17.2	13.7	18.6	2,700	31.12.87
269	(324)	Logica	199.6	551	314	101.5	79.7	27.4	11.3	6.8	66.2	48.9	2,348	*30.6.87
270	(347)	Hickson International	199.3	621	214	224.2	161.5	38.8	20.1	15.1	33.3	27.9	3,603	31.12.87
271	(292)	Tozer, Kemsley & Millbourn	196.2	572	100	890.0	716.9	24.2	32.3	22.0	46.9	24.6	7,483	31.12.87
272	(283)	Heath C.E.	196.0	142	–	–	–	–	22.3	25.7	-13.3	23.8	2,345	31.3.88
273	(323)	Bilton (Percy)	194.2	161	–	–	–	–	14.6	11.5	26.9	10.1	309	31.12.87
274	(326)	Greene, King & Sons	194.2	421	315	100.5	93.9	7.1	14.2	12.5	13.5	7.6	1,784	01.5.88
275	(304)	Bradford Property Trust	192.5	161	–	–	–	–	19.3	15.4	25.6	32.8	93	05.5.88
276	(319)	Automated Security (Holdings)	192.0	541	363	63.9	51.9	23.2	15.2	12.4	22.6	25.9	2,100	30.11.87
277	(279)	Low & Bonar Group	191.2	652	188	306.1	259.6	17.9	20.6	18.8	9.7	18.2	6,457	*30.11.87
278	(303)	First Leisure Corporation	191.0	461	360	66.3	59.1	12.2	16.1	12.7	26.5	28.8	3,597	31.10.87
279	(252)	Spring Ram Corporation	190.8	611	365	60.8	40.8	49.0	10.7	7.0	52.6	66.1	846	02.1.88
280	(254)	Regalian Properties	189.9	161	–	–	–	–	22.7	8.2	176.2	18.5	57	31.3.88
281	(328)	Daejan Holdings	187.4	161	–	–	–	–	22.0	18.3	20.0	14.2	150	31.3.88
282	(249)	Menzies John (Holdings)	186.1	495	127	671.9	595.7	12.8	26.2	22.7	15.4	40.9	9,889	03.2.88
283	(415)	Singer & Friedlander Group	185.6	161	–	–	–	–	7.1	0.1	–	5.1	69	*31.12.87
284	(316)	Bullough	182.5	591	258	163.9	120.2	36.4	21.2	15.9	33.1	50.7	3,851	31.10.87
285	(287)	Fine Art Developments	181.7	495	236	196.2	161.1	21.8	20.2	15.5	30.3	36.7	4,217	31.3.88
286	(334)	Cray Electronic Holdings	180.3	551	348	73.5	64.2	17.5	13.1	10.6	23.6	40.9	2,459	30.4.88
287	(308)	Kwik-Fit Holdings	178.4	572	289	125.5	102.6	22.3	16.0	11.1	44.1	37.6	2,220	29.2.88
288	(–)	London Forfaiting	178.0	121	–	–	–	–	16.5	13.4	23.2	‡27.0	63	31.12.87
289	(–)	Ami Healthcare	177.7	434	326	94.1	79.9	17.8	11.6	6.1	90.7	14.9	3,000	*31.8.87
290	(231)	GPG	177.5	122	–	–	–	–	23.1	18.0	28.2	15.0	1,408	30.9.87
291	(348)	Imry Merchant Developers	176.4	161	–	–	–	–	16.1	2.2	619.1	8.2	64	*31.3.88
292	(416)	Kennedy Brookes	176.0	464	364	61.5	43.8	40.4	10.4	5.8	79.3	29.2	2,164	28.10.87
293	(–)	Landleisure	174.0	161	–	–	–	–	21.5	6.4	238.1	‡19.2	–	*30.4.88
294	(278)	Mysan Group	173.4	566	264	158.1	157.5	0.3	28.6	17.4	18.6	5.5	4,032	*31.12.87
295	(336)	Etam	173.1	492	299	113.9	79.4	43.4	17.9	12.3	46.0	70.3	3,158	30.1.88
296	(310)	Provident Financial Group	172.0	121	–	–	–	–	26.7	22.3	20.0	16.9	5,546	31.12.87
297	(221)	FR Group	171.3	521	296	116.4	99.1	17.5	22.1	16.8	31.5	22.8	2,797	31.12.87
298	(321)	Christies International	170.1	495	321	96.7	70.3	37.4	32.5	18.4	77.1	61.0	1,243	31.12.87
299	(283)	Crest Nicholson	170.0	614	215	222.8	212.0	5.1	24.0	16.6	44.4	23.7	2,005	31.10.87
300	(309)	Geest	169.1	451	166	391.4	421.0	-7.0	14.1	8.5	65.2	18.8	3,750	02.1.88
301	(280)	Simon Engineering	169.0	561	141	541.3	503.3	7.6	23.6	28.0	-15.7	18.5	9,475	31.12.87
302	(305)	Paterson Zochonis	168.4	431	225	207.9	241.7	-14.0	33.3	42.3	-21.3	21.9	3,722	31.5.87
303	(230)	Virgin Group	168.2	461	196	279.1	188.6	48.0	27.7	19.1	45.0	36.2	1,983	31.7.87
304	(389)	Wilson Bowden	168.1	614	327	94.0	65.0	44.6	17.7	8.8	102.3	41.5	635	31.12.87
305	(400)	Parkfield Group	167.4	561	219	219.3	153.9	42.5	15.2	9.5	60.0	54.4	2,949	*30.4.88
306	(306)	VSEL Consortium	167.2	592	159	429.6	362.2	18.6	17.6	15.0	17.3	7.4	–	31.3.88
307	(–)	Proudfoot (Alexander)	165.6	566	401	18.1	1.9	–	3.1	0.6	–	‡3.0	846	*31.12.87
308	(422)	European Home Products	164.4	492	234	198.7	125.9	57.8	12.2	4.8	154.4	35.9	2,430	31.12.87
309	(428)	SD-Scicon	163.2	482	347	77.1	61.5	25.3	7.4	4.5	66.1	33.4	1,769	*31.12.87
310	(296)	AAH Holdings	163.2	171	102	880.6	726.1	21.3	24.5	19.7	24.4	21.9	5,845	31.3.88
311	(276)	Waddington (John)	162.4	652	251	172.5	131.7	30.9	17.6	12.2	44.0	26.8	3,638	02.4.88
312	(317)	Attwoods	162.2	406	353	73.3	56.4	29.9	11.9	7.4	60.5	10.3	1,114	31.7.87
313	(366)	Boddington Group	158.9	421	332	91.2	87.2	4.5	14.5	14.4	0.7	9.9	3,470	02.1.88
314	(375)	Hestair	158.3	171	222	216.8	135.2	60.4	13.3	7.3	81.5	46.3	3,495	31.1.88
315	(–)	Falcon Industries	157.7	591	387	31.9	32.5	-2.0	2.2	0.7	221.6	29.2	608	31.12.87
316	(307)	Triton Europe	157.6	213	394	27.8	34.5	-19.3	0.3	12.1	-97.5	4.7	60	31.5.87
317	(218)	Henderson Administration Grp	157.0	122	–	–	–	–	22.5	26.4	-14.9	61.8	492	31.3.88
318	(274)	Thames Television	155.0	461	204	247.4	222.2	11.3	27.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
319	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
320	[illegible]	VG Instruments	154.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ranking 1988	1987	company	Market Capital £m	Sector	Rank	Turnover This year £m	Turnover Last year £m	per cent change	Profit this year £m	Profit last year £m	per cent change	ROCE	employees	Year end
321	(362)	Chesterfield Properties	154.2	161	–	–	–	–	7.9	8.2	-4.1	7.0	138	31.12.87
322	(-)	NSM	154.1	631	340	84.8	100.4	-15.5	2.0	15.5	-87.1	5.2	1,237	* 05.4.88
323	(286)	Gestetner Holdings	154.0	534	156	442.3	389.2	13.6	22.8	10.6	114.2	15.9	9,425	31.10.87
324	(299)	Portals Holdings	153.6	652	233	200.0	212.8	-6.0	21.1	25.0	-15.6	17.8	3,841	31.12.87
325	(374)	Ansbacher (Henry) Holdings	152.2	121	–	–	–	–	5.1	5.6	-8.3	† 10.2	294	31.12.87
326	(301)	Brown (N.) Group	152.1	495	316	100.5	73.4	36.9	13.5	9.2	46.7	43.1	1,282	05.3.88
327	(404)	Howden-Stuart Plant	151.9	564	268	155.3	117.2	32.5	17.4	9.4	85.6	28.0	3,218	31.3.88
328	(267)	Arlington Securities	151.2	161	–	–	–	–	14.7	7.1	108.5	15.4	77	31.12.87
329	(342)	Heywood Williams	149.7	611	212	230.4	147.5	56.2	20.2	10.6	90.6	50.8	5,171	* 31.12.87
330	(294)	Sturge Holdings	148.4	142	–	–	–	–	12.6	9.5	32.6	109.6	798	30.9.87
331	(417)	Highland Distillers	148.0	422	302	112.5	108.0	4.1	12.1	10.3	17.2	18.0	286	* 31.8.87
332	(363)	Norfolk Capital Group	147.8	461	386	32.2	13.4	139.6	5.2	1.4	268.3	7.8	1,441	31.12.87
333	(251)	Hogg Robinson	147.0	306	339	86.8	63.3	37.2	11.0	8.1	36.0	217.4	3,863	* 31.3.88
334	(269)	McAlpine (Alfred)	146.9	613	133	583.1	482.6	20.8	31.4	26.1	20.1	25.0	7,689	31.10.87
335	(368)	Peel Holdings	146.0	161	–	–	–	–	10.3	8.1	27.9	9.2	99	31.3.88
336	(343)	Wardle Storeys	145.9	622	346	77.3	49.9	54.7	12.7	5.6	126.4	29.4	2,042	31.8.87
337	(436)	Thomson T-Line	144.8	271	368	56.4	12.1	–	6.1	0.8	–	28.6	2,422	* 30.4.88
338	(352)	Cannon Street Investments	144.3	591	310	105.2	30.2	248.7	12.7	3.1	303.0	63.0	982	31.12.87
339	(290)	Meggitt Holdings	143.9	363	255	166.6	202.8	-17.9	16.3	13.5	20.4	22.3	5,273	31.12.87
340	(355)	Asprey	143.3	495	367	58.8	53.9	9.0	16.0	13.5	18.8	31.5	326	31.3.88
341	(427)	Newarthill	142.4	613	175	343.3	272.8	26.2	14.5	14.3	1.4	8.6	4,028	31.10.87
342	(350)	Property Security Invest. Tst	142.1	161	–	–	–	–	5.8	5.6	3.6	6.1	40	31.3.88
343	(340)	Sketchley	141.6	406	245	181.2	131.6	37.6	13.4	10.7	25.5	31.1	10,454	01.4.88
344	(537)	Lovell Y.J. (Holdings)	140.5	614	183	323.8	267.0	21.3	16.3	12.3	33.0	23.9	2,850	30.9.87
345	(373)	Central Independent TV	139.9	474	209	239.6	195.2	22.8	22.5	16.6	35.7	47.0	2,043	31.12.87
346	(384)	Chloride Group	138.9	541	187	307.9	273.4	12.6	18.2	17.0	7.1	18.8	11,084	31.3.88
347	(339)	Nu-Swift Industries	138.2	591	283	134.3	129.3	3.9	24.4	14.7	66.2	72.6	2,927	31.12.87
348	(311)	Berkeley Group	138.1	614	330	92.0	52.9	73.8	17.7	8.6	106.9	46.5	303	30.4.88
349	(376)	Cowie (T.)	137.5	571	184	321.3	217.0	48.0	17.0	8.2	107.2	38.4	2,109	31.12.87
350	(409)	Weir Group	137.5	561	280	137.3	148.6	-7.6	13.2	15.1	-12.3	24.7	3,570	01.1.88
351	(-)	Persimmon Group	135.8	614	351	73.7	46.4	58.8	12.6	6.1	107.0	50.7	426	31.12.87
352	(322)	Davy Corporation	135.0	561	114	796.3	711.8	11.9	10.5	20.2	-48.1	10.0	10,803	31.3.88
353	(361)	Spirax-Sarco Engineering	134.6	566	319	98.8	94.7	4.3	18.9	16.9	12.0	25.7	2,846	31.12.87
354	(394)	Scottish Metropolitan Props	133.0	161	–	–	–	–	7.8	7.1	10.3	8.9	36	15.8.87
355	(381)	London Shop	132.9	161	–	–	–	–	10.9	8.4	29.3	11.9	136	* 30.4.88
356	(385)	Westpool Investment Trust	132.8	181	–	–	–	–	2.8	2.2	24.6	3.3	–	30.4.87
357	(351)	LWT (Holdings)	132.3	461	228	202.9	157.8	28.6	23.0	13.7	67.9	45.8	1,937	26.7.87
358	(353)	Diploma	130.7	561	306	111.5	93.2	19.6	15.4	12.5	23.2	27.7	1,337	* 30.9.87
359	(478)	Southend Property	130.7	161	–	–	–	–	4.3	0.2	–	‡ 3.3	6	* 31.3.88
360	(354)	Acatos and Hutcheson	130.5	451	231	201.2	188.9	6.5	12.3	7.2	69.7	44.4	1,028	27.9.87
361	(327)	Lep Group	129.5	302	278	141.4	137.8	2.6	11.1	8.9	24.9	13.2	5,801	31.12.87
362	(-)	Goal Petroleum	128.8	213	400	19.8	15.4	28.7	3.8	0.9	316.2	9.3	18	* 31.12.87
363	(451)	Wickes	128.7	611	248	178.1	142.1	25.3	9.6	6.5	47.7	54.8	1,761	* 31.12.87
364	(420)	Devenish J.A.	128.7	421	379	41.7	42.3	-1.5	9.1	6.1	49.3	16.8	1,386	* 30.9.87
365	(370)	Television South	127.4	461	253	171.9	137.7	24.8	21.8	14.4	51.4	40.7	1,097	31.10.87
366	(332)	Nurdin & Peacock	127.1	512	99	904.1	839.3	7.7	17.8	17.6	0.9	22.6	3,549	02.1.88
367	(403)	Warner Estate Holdings	125.4	161	–	–	–	–	4.4	3.9	12.8	4.8	155	30.9.87
368	(302)	B.S.G. International	124.6	591	140	548.2	475.5	14.7	18.0	11.8	52.5	27.0	6,679	31.12.87
369	(401)	Photo-Me International	123.5	461	361	65.8	56.7	16.0	9.5	6.9	37.7	41.2	1,310	30.4.87
370	(288)	Barker & Dobson Group	123.4	493	197	277.8	127.2	118.4	13.5	4.2	225.3	45.6	6,720	26.12.87
371	(387)	Travis and Arnold	123.2	611	238	193.0	174.5	10.6	17.8	12.2	45.9	51.7	2,358	31.12.87
372	(441)	Cap Group	122.7	551	300	113.1	78.8	43.5	8.3	5.8	42.5	31.8	2,949	* 30.4.88
373	(398)	Iceland Frozen Foods Hldgs	121.6	493	269	154.5	116.5	32.7	7.2	5.1	40.8	33.4	2,483	02.1.88
374	(386)	Higgs and Hill	121.2	614	200	267.1	238.8	11.8	17.3	12.2	41.9	22.2	1,836	31.12.87
375	(-)	UK Paper	121.2	652	247	178.7	155.2	–	13.8	2.8	–	‡ 5.0	1,709	* 31.12.87
376	(-)	Randsworth Trust	121.0	161	–	–	–	–	2.2	–	–	a –	57	* 30.6.87
377	(-)	Eagle Trust	120.6	591	342	82.7	3.3	–	6.4	0.7	–	‡ 6.8	666	* 31.12.87
378	(359)	Pentos	120.2	495	335	90.0	63.2	42.4	7.8	5.0	56.0	38.5	2,700	31.12.87
379	(284)	BSR International	120.0	551	223	209.5	348.5	-39.9	16.4	11.9	38.1	28.4	9,701	31.12.87
380	(470)	Westbury	119.3	614	291	122.8	93.9	30.8	15.4	9.1	69.2	34.1	442	29.2.88
381	(-)	Davis, Godfrey	119.0	591	216	222.0	195.5	13.6	13.9	10.7	29.9	17.4	11,279	* 31.12.87
382	(360)	Staveley Industries	118.0	552	227	205.5	199.3	3.1	18.1	14.2	27.5	23.4	4,637	02.4.88
383	(402)	Avon Rubber	116.8	574	229	201.5	206.1	-2.2	11.4	6.1	87.3	27.6	4,652	30.10.87
384	(458)	Raine Industries	116.6	615	378	42.1	29.7	41.8	3.6	1.5	140.0	23.4	469	* 30.6.87
385	(410)	Emess Lighting	116.3	541	362	65.2	38.1	70.9	7.7	4.3	78.6	38.2	2,057	31.12.87
386	(333)	WCRS Group	115.2	475	162	407.7	331.1	23.1	18.3	10.1	81.0	‡ 76.6	1,834	30.4.88
387	(367)	Marston Thompson Evershed	114.8	421	352	73.5	72.2	1.9	12.9	11.4	12.9	15.7	1,402	26.3.88
388	(442)	Adwest Group	114.2	561	323	95.9	93.8	2.2	10.4	10.1	3.0	17.3	3,128	30.6.87
389	(357)	Newman Tonks Group	114.0	613	285	129.2	134.2	-3.7	14.1	11.6	21.4	25.9	3,701	* 31.10.87
390	(463)	Reed Executive	113.9	481	325	95.6	63.6	50.3	10.5	6.5	61.2	101.7	799	26.3.88
391	(325)	Hall (Matthew)	113.5	561	154	471.0	503.5	-6.5	15.3	18.0	-15.1	17.9	10,045	31.12.87
392	(431)	Time Products	113.2	495	371	53.8	48.6	10.7	11.5	7.6	50.9	32.5	1,112	31.1.88
393	(425)	Warnford Investments	112.3	161	–	–	–	–	5.1	4.3	18.6	36.7	15	* 25.12.87
394	(520)	Oxford Instruments Group	111.5	552	336	89.1	100.0	-10.9	11.2	19.7	-43.1	25.2	1,376	27.3.88
395	(454)	Countryside Properties	111.2	614	370	54.0	30.7	76.1	11.1	4.2	167.4	35.4	256	30.9.87
396	(380)	Sandell Perkins	111.1	651	270	148.5	113.2	31.2	13.7	9.9	37.7	39.0	1,868	31.3.88
397	(-)	Ruberoid	110.7	611	274	145.1	137.8	5.3	10.2	9.1	11.8	26.6	2,359	31.12.87
398	(472)	Britannia Security Group	109.9	406	398	24.9	11.9	110.2	5.4	1.8	199.3	55.3	972	30.6.87
399	(-)	A.B. Electronic Products	109.5	551	254	171.6	129.9	32.2	8.0	6.4	24.2	19.0	4,211	30.6.87
400	(341)	Gerrard & National	109.4	121	–	–	–	–	7.0	11.2	-37.6	r –	382	05.4.88
401	(383)	Union Discount (London)	109.3	122	–	–	–	–	11.1	10.8	3.0	r –	157	* 31.12.87
402	(438)	Yale Catto	108.6	622	297	114.6	81.4	40.7	14.0	10.8	29.9	18.4	2,877	31.12.87
403	(500)	Grampian Holdings	108.7	591	366	59.3	51.0	16.3	6.1	4.1	48.6	31.6	1,572	31.12.87
404	(-)	Huntingdon International	108.6	991	375	44.1	37.3	18.2	8.9	6.4	39.6	38.1	1,690	30.9.87
405	(482)	Tiphook	108.6	303	382	39.4	25.3	55.5	4.5	2.8	62.5	18.9	460	30.4.87
406	(349)	Sheraton Secs International	108.2	161	–	–	–	–	11.3	4.7	143.0	30.9	22	31.3.88
407	(-)	ASW Holdings	107.4	633	178	338.1	328.4	3.0	24.2	19.7	22.8	14.7	3,109	* 31.12.87
408	(408)	Robinson (Thomas) Group	107.2	561	301	113.0	70.6	60.0	12.3	7.0	74.5	47.8	2,977	31.12.87
409	(371)	Unitech	106.9	551	221	217.3	215.9	0.7	14.7	13.6	8.3	22.2	3,215	28.5.88
410	(424)	Readicut International	106.8	412	243	183.0	146.9	24.6	14.7	10.5	39.9	34.0	4,482	31.3.88
411–430	[illegible]													
431	(391)	London & Metropolitan	99.0	161	–	–	–	–	9.1	5.7	59.1	18.7	38	31.12.87
432	(406)	Marshalls Halifax	97.8	611	311	105.2	86.6	21.4	13.1	9.7	35.7	25.3	2,018	31.3.88
433	(445)	Empire Stores, Bradford	97.7	495	240	189.1	179.2	5.5	7.9	8.9	-10.8	13.9	3,188	30.1.88
434	(-)	Hartwell	97.6	573	181	332.6	272.4	22.1	9.7	6.1	58.5	16.3	2,123	29.2.88
435	(443)	A&B Research	97.2	472	292	120.7	110.3	9.4	10.1	7.9	28.6	31.4	3,636	30.4.87
436	(489)	Stead & Simpson	97.1	495	345	77.9	70.1	11.1	8.9	7.2	23.3	11.1	10,389	31.3.88
437	(475)	Aurora	96.5	561	304	112.1	112.8	-0.6	11.5	11.0	4.2	24.8	2,495	31.12.87
438	(-)	Walker Greenbank	94.5	591	329	93.3	80.0	16.6	11.1	7.8	41.9	41.5	1,351	30.1.88
439	(-)	Johnson Group Cleaners	94.1	406	333	90.3	101.8	-11.3	11.6	8.8	31.5	20.4	–	26.12.87
440	(346)	Horne Robert	93.8	652	266	156.1	132.0	18.2	13.1	10.6	24.1	47.0	743	30.9.87
441	(390)	BTP	92.4	622	308	107.9	65.2	65.6	9.7	5.8	68.6	23.9	1,679	* 31.3.88
442	(-)	Haden Maclellan Holdings	92.2	591	389	30.7	11.2	172.8	1.4	0.4	291.1	31.4	471	* 31.12.87
443	(437)	TV-AM	92.1	461	369	54.7	41.9	30.6	13.1	8.7	50.5	‡ 72.6	469	31.3.88
444	(-)	Hollis	91.8	591	218	219.3	85.0	158.2	9.3	3.6	157.5	24.9	5,042	31.12.87
445	(-)	Grainger Trust	91.8	161	–	–	–	–	4.0	2.5	58.9	24.3	10	30.9.87
446	(465)	Hunting Associated Industries	91.5	561	177	339.0	332.0	2.1	18.1	11.8	53.2	26.4	5,033	31.12.87
447	(440)	Whitecroft	91.4	591	277	141.5	121.7	16.3	12.1	9.1	32.9	21.9	2,716	31.3.88
448	(-)	Trade Indemnity	91.4	122	–	–	–	–	10.5	9.4	12.0	r –	–	31.3.88
449	(377)	Belhaven	89.5	421	377	42.8	45.6	–	6.9	5.9	–	19.0	1,899	* 31.12.87
450	(329)	Microgen Holdings	89.4	541	384	33.4	26.4	26.2	9.5	7.2	31.7	0.2	546	31.10.87
451	(432)	Blackwood Hodge	89.1	561	189	302.9	204.4	48.2	12.5	8.8	42.0	22.6	3,174	31.12.87
452	(429)	Finlay (James)	89.1	512	267	156.0	176.6	-11.7	3.1	4.8	-34.8	6.1	32,246	31.12.87
453	(356)	Speyhawk	89.0	613	359	67.8	40.9	65.6	10.1	6.1	65.5	22.9	334	30.9.87
454	(452)	Ward Holdings	88.8	613	374	48.3	36.0	34.3	12.9	9.0	43.8	35.5	434	31.10.87
455	(471)	Ransomes, Sims & Jefferies	88.7	561	343	81.2	69.7	16.5	9.7	8.0	20.7	22.2	1,467	31.12.87
456	(483)	Rutland Trust	88.6	122	–	–	–	–	5.3	2.1	158.2	19.5	503	* 31.12.87
457	(399)	International City Holdings	88.5	122	–	–	–	–	17.3	14.2	21.8	39.8	1,365	31.7.87
458	(433)	Cambridge Electronic Industries	88.3	551	271	147.0	132.4	11.0	13.0	10.1	28.7	22.1	4,868	31.12.87
459	(313)	London United Investments	88.3	181	–	–	–	–	8.8	14.9	-41.0	r –	145	31.12.87
460	(-)	Macklow (A. & J.) Group	88.3	161	–	–	–	–	7.5	6.0	24.7	11.0	34	30.6.88
461	(421)	Brent Chemicals International	86.9	622	356	70.6	59.0	19.6	9.1	7.3	24.3	41.5	901	31.12.87
462	(481)	Microfilm Reprographics	86.8	551	403	11.5	8.7	32.2	3.0	1.8	65.2	95.6	238	30.6.87
463	(476)	Senior Engineering	86.5	561	275	144.1	104.1	38.4	9.3	7.6	22.1	23.6	3,318	31.12.87
464	(-)	Allied Textiles	86.0	412	341	84.2	57.2	47.1	9.6	7.5	27.9	25.1	2,454	30.9.87
465	(491)	Low (William)	85.8	493	205	247.3	233.4	6.0	8.1	7.3	11.5	2.3	7,524	05.9.87
466	(463)	Trinity International Holdings	85.7	472	336	90.1	83.7	7.7	11.5	9.8	17.0	32.8	2,357	26.12.87
467–475	[illegible]													
476	(-)	Evode Group	80.1	591	324	95.8	86.8	10.4	6.2	5.4	15.0	23.4	1,659	26.9.87
477	(-)	Alexon Group	80.1	411	358	70.0	58.2	20.1	9.5	6.9	37.5	45.3	3,375	26.3.88
478	(479)	Lawrence (Walter)	79.6	613	226	207.3	176.6	17.3	12.2	7.5	62.4	29.3	1,852	31.12.87
479	(393)	Tops Estates	79.4	161	–	–	–	–	0.8	0.3	166.7	4.6	4	* 31.12.87
480	(-)	Austin Reed Group	79.1	491	357	70.4	64.6	8.9	8.1	6.1	32.7	19.0	1,936	31.1.88
481	(498)	Trencherwood	79.0	614	385	32.6	24.1	35.3	7.4	4.2	75.8	42.6	108	31.10.87
482	(358)	GT Management	78.9	121	380	40.3	36.0	12.0	12.8	13.0	-1.4	38.9	404	31.3.88
483	(-)	Town Centre Securities	77.1	161	–	–	–	–	3.3	3.0	10.0	6.2	–	30.6.87
484	(-)	Anglia Television	77.1	474	338	86.9	75.2	15.4	12.0	8.5	41.1	35.8	876	31.10.87
485	(-)	Fairbriar	76.7	614	396	26.6	15.0	77.5	8.6	4.5	92.1	‡ 63.1	69	* 31.3.88
486	(-)	Bentalls	76.5	491	354	71.5	67.5	5.9	4.8	3.8	25.2	20.9	1,586	30.1.88
487	(-)	Tilbury Group	76.1	613	279	140.2	108.4	29.3	8.9	5.3	68.7	24.1	2,179	31.12.87
488	(-)	International Business Comm.	75.9	472	390	29.0	15.2	–	5.3	1.9	–	a –	464	* 31.12.87
489	(-)	Midsummer Leisure	75.8	461	402	17.5	7.7	128.8	2.3	1.1	113.0	a –	–	30.9.87
490	(407)	Westland	75.5	523	168	381.6	344.4	10.8	34.4	26.3	30.8	16.7	9,231	30.9.87
491	(447)	MBS	75.4	551	281	136.1	106.8	27.4	5.2	1.6	226.6	34.7	890	* 31.12.87
492	(419)	Scottish Heritable Trust	74.8	171	337	88.1	69.7	26.4	10.0	6.2	61.3	28.0	2,372	31.12.87
493	(486)	National Home Loans	74.1	122	–	–	–	–	11.1	2.8	296.4	18.8	241	30.9.87
494	(-)	Shandwick	74.1	471	392	28.3	11.8	–	3.4	1.4	–	‡ 0.1	422	31.7.87
495	(-)	Wace Group	74.1	471	393	28.3	21.7	30.5	3.4	1.6	116.8	40.2	570	* 31.12.87
496	(-)	Black (Peter)	73.7	591	284	133.6	99.6	–	8.5	6.7	–	22.3	2,769	* 04.6.88
497	(-)	Erskine House Group	73.6	534	313	102.6	77.9	31.7	6.0	4.4	36.6	34.2	2,292	* 31.3.88
498	(-)	Expamet International	72.7	591	317	100.5	74.9	34.0	8.4	6.4	31.6	31.6	2,176	* 31.12.87
499	(425)	ABB Kent Holdings	72.6	541	295	117.5	137.2	-14.4	6.3	9.6	-34.4	9.2	3,905	* 31.12.87
500	(-)	Tibbett & Britten Group	71.4	406	372	51.1	36.0	41.9	4.7	3.4	39.2	26.4	2,076	31.12.87

FOOTNOTES TO THE UK TOP 500 LIST

† = ROCE based on shareholders' funds.
φ = ROCE based on shareholders' funds after charging interest on loan capital not stated separately.
‡ = ROCE based on capital employed at year-end.
* = Previous year's figures adjusted for accounting changes.
# = Parent company accounts.
y = employees at year-end.
r = ROCE not relevant.
a = ROCE not available.
■ = see footnotes.

[illegible]

Biggest profit increases (UK)

Rank	Company	Sect.	Top 500 rank	% Profit increase
1	Howden Group	561	(411)	7083.1
2	Clyde Petroleum	213	(254)	850.0
3	London & Scot Marine Oil	213	(115)	800.0
4	WPP Group	475	(245)	702.5
5	Imry Merchant Developers	161	(291)	619.1
6	Goal Petroleum	213	(362)	316.2
7	Cannon Street Investments	591	(338)	303.0
8	National Home Loans	122	(493)	296.4
9	Haden Maclellan Holdings	591	(442)	291.1
10	Norfolk Capital Group	461	(332)	268.3
11	United Scientific Holdings	521	(415)	244.9
12	Landleisure	161	(293)	238.1
13	Blue Arrow	481	(109)	234.8
14	Yale and Valor	591	(169)	228.6
15	MBS	551	(491)	226.6
16	Barker & Dobson Group	493	(370)	225.3
17	Falcon Industries	591	(315)	221.6
18	BOC Group	622	(38)	208.2
19	Carless	213	(250)	206.5
20	Britannia Security Group	406	(398)	199.3
21	Brent Walker Holdings	461	(252)	188.9
22	Clayform Properties	161	(425)	181.2
23	Regalian Properties	161	(280)	176.2
24	Countryside Properties	614	(395)	167.4
25	Tops Estates	161	(479)	166.7

Biggest profit decreases (UK)

Rank	Company	Sect.	Top 500 rank	% Profit decrease
1	Midland Bank	112	29	-216.4
2	Standard Chartered	112	105	-207.8
3	British Aerospace	523	89	-187.4
4	Triton Europe	212	316	-97.5
5	NSM	631	322	-87.1
6	Harris Queensway Group	481	181	-66.3
7	Lloyds Bank	112	27	-64.6
8	Barclays	112	11	-62.1
9	Davy Corporation	561	352	-48.1
10	Oxford Instruments Group	552	394	-43.1
11	Berisford S & W	451	121	-41.0
12	London United Investments	181	459	-41.0
13	Gerrard & National	121	400	-37.6
14	Finlay (James)	512	450	-34.8
15	ABB Kent Holdings	541	499	-34.4
16	National Westminster Bank	112	13	-30.4
17	Morgan Grenfell	121	159	-26.9
18	Bridon	561	417	-26.0
19	Sedgwick Group	142	107	-25.4
20	Paterson Zochonis	431	302	-21.3
21	Jaguar	401	150	-19.7
22	Willis Faber	142	132	-18.6
23	Kleinwort Benson Group	121	151	-18.4
24	Simon Engineering	561	301	-15.7
25	Portals Holdings	652	324	-15.6

Barclays Bank: up from 17 to 11

Ahead again with a triple-A

ON THE face of it, there is a quick and easy reason why Barclays Bank has risen up the league table when most other large banks have gone down.

Last spring it made a £920m rights issue – the largest ever by a UK company – which boosted its market capitalisation by a third.

But the big capital injection was itself an indication of a rising trend at Barclays, which is battling to regain its position as the UK's top clearing bank. And its efforts achieved some reward five months later, when Standard & Poor's, the US credit rating agency, restored its prized triple-A status, putting it in a select group of only five European banks with that qualification.

Mr John Quinton, who took over as chairman 18 months ago, said the S&P upgrading was "a very welcome recognition of the group's return to full strength both in our capital base and profit performance".

Barclays slipped from the top spot in the mid-1980's when, as a result of strategic blunders in markets like the US, and muddled management, it fell behind the better organised National Westminster Bank both in size and profit terms. This provoked some profound soul-searching in Barclays' Lombard Street headquarters, which resulted in the adoption of a much more aggressive style.

Since then, Barclays has mounted the classic comeback. Under Mr Quinton, it has started to reshape its international operations by cutting back its US retail presence, but expanding its services for international corporate customers where it sees greater profit potential.

In the UK market it has also been going much harder after the business of private customers and smaller companies, in the latter case by opening up more than 350 "business centres". Although it still lags behind NatWest in terms of its UK loan book, it has the largest share of the personal banking market, and the largest credit card operation by far.

On the investment banking side, the subsidiary Barclays de Zoete Wedd, which it created at the time of the Big Bang in 1986, has emerged as one of the major forces on the City scene, particularly in the securities markets.

All this has been accompanied by plans for a comprehensive performance-related pay scheme for all of Barclays' 80,000 staff, one of the largest schemes of its kind in the UK.

Mr Quinton's great drive for ward began to show results in the first half of this year. Profits were up 17 per cent before tax to £618m, and assets rose by a like amount to £99bn. But this still left Barclays some way behind NatWest (profits of £702m and assets of £103bn). And since its rights issue, Barclays' profitability, measured in terms of return on capital, has declined, which suggests he still has a big task ahead.

The coming period is likely to be tough for other reasons, too. The recent sharp rise in UK interest rates will dampen down loan demand, and with it a major source of Barclays' business. The move towards longer bank opening hours and the payment of interest on current accounts, initiated by Lloyds Bank this autumn, will oblige some kind of response from Barclays which will eat into profit margins.

Further ahead, Barclays is also considering the implications of the move towards a unified European market in 1992. Mr Quinton has already made it clear that he wants to see Barclays playing a dominant role in Europe, and he believes his bank has the resources to go ahead on its own. However, his executives say that Barclays will target specific markets rather than adopt some grandiose plan.

David Lascelles

Trevor Humphries

Mr John Quinton: aiming for a dominant role in Europe

The UK construction sector

Ratios fail to reflect optimism

IT HAS by any yardstick been a magnificent year for construction companies in Britain.

With a month of the year to go, construction output is up by about a tenth. Most order books are full; profits are at record levels; and house prices, despite slower rates of growth this autumn, will have risen by about a third this year.

The 18 construction companies in the UK Top 500, in the year to June 30 1988, increased pre-tax profits on average by more than 42 per cent. Since then companies like Tarmac (49th) have announced a 50 per cent increase in pre-tax profits for the first six months of this year; Wimpey (122nd) a 40 per cent increase in interim profits, and Costain (138th) a 41 per cent increase in half-year profits.

Despite this, most of the country's best known construction companies and building material suppliers command only single-figure stock market ratings. Price-earnings ratios for many businesses are at their lowest since spring 1985.

Some companies have taken advantage of the sharp fall in share prices to buy stakes in rival construction groups. P&O, which owns Bovis, the construction management, property and housebuilding group, for example, has acquired a 10 per cent stake in Taylor Woodrow, the UK construction and property group.

So, have stock market ratings of construction and building material companies sunk too low? The extent of the fall in share prices suggests that many investors fear the construction cycle is be about to move from a classic boom — UK construction output has increased every year since 1981 — to a classic bust.

According to brokers, current ratings of some housebuilders, of between five and seven times prospective earnings, imply a sharp fall in 1989 pre-tax profits. Few brokers, however, expect this to happen.

Most forecast slower, more modest increases in UK housebuilding profits next year. Total construction output, including maintenance and improvement work, is still forecast to rise by about 2 per cent next year.

Construction companies and building material suppliers say the current economic climate is very different from that of 1974 or 1981, the last two occasions when house prices fell in real terms.

They say gross domestic product fell in 1974, 1975, 1980 and 1981; while real earnings fell during the first half of 1974, again at the end of 1981, and during the first three months of 1982.

By comparison, gross domestic product during the first six months of this year rose at an annual rate of 4 per cent, real earnings by 4.5 per cent, and capital investment by industry and commerce by almost 10 per cent. This should help underpin any softening of the construction market next year — assuming the economy makes the soft landing forecast by the Chancellor.

At the moment, most economic *forecasters predict* slower growth next year in output and real earnings. None so far is predicting a fall, which would mean a recession.

The key to construction industry prospects will be movements in UK interest rates. Rises in mortgage rates and the ending of multiple mortgage interest rate tax relief on August 1 dented new house sales earlier this autumn, although sales and reservations recovered in October.

Higher interest rates will also place at risk private investment in offices, warehouses, factories and shops. Already there is concern for the future of central London offices, should financial services companies continue to trim their operations in the wake the stock market crash.

Builders, on the other hand, point to an upsurge in demand for housing and commercial property in regions outside London and south-east England, which they say should compensate for any fall-off in demand in the south-east.

Demand for repair, maintenance and improvement is also likely to remain high, and should help to smooth out any fluctuations in demand for new building. Repair, maintenance and improvement accounts for about 40 per cent of UK construction output, and generally has been unaffected by previous downturns in the construction cycle.

There are signs of nervousness among some housebuilders which have started to offer part exchange deals and mortgage subsidies, in a bid to maintain sales in south-east England.

Most construction companies remain confident that increases in real earnings and lower unemployment will offset any loss of confidence through higher interest rates. But they are not above hedging their bets by introducing sales incentives, which have not been seen in the British housing market for several years.

Andrew Taylor

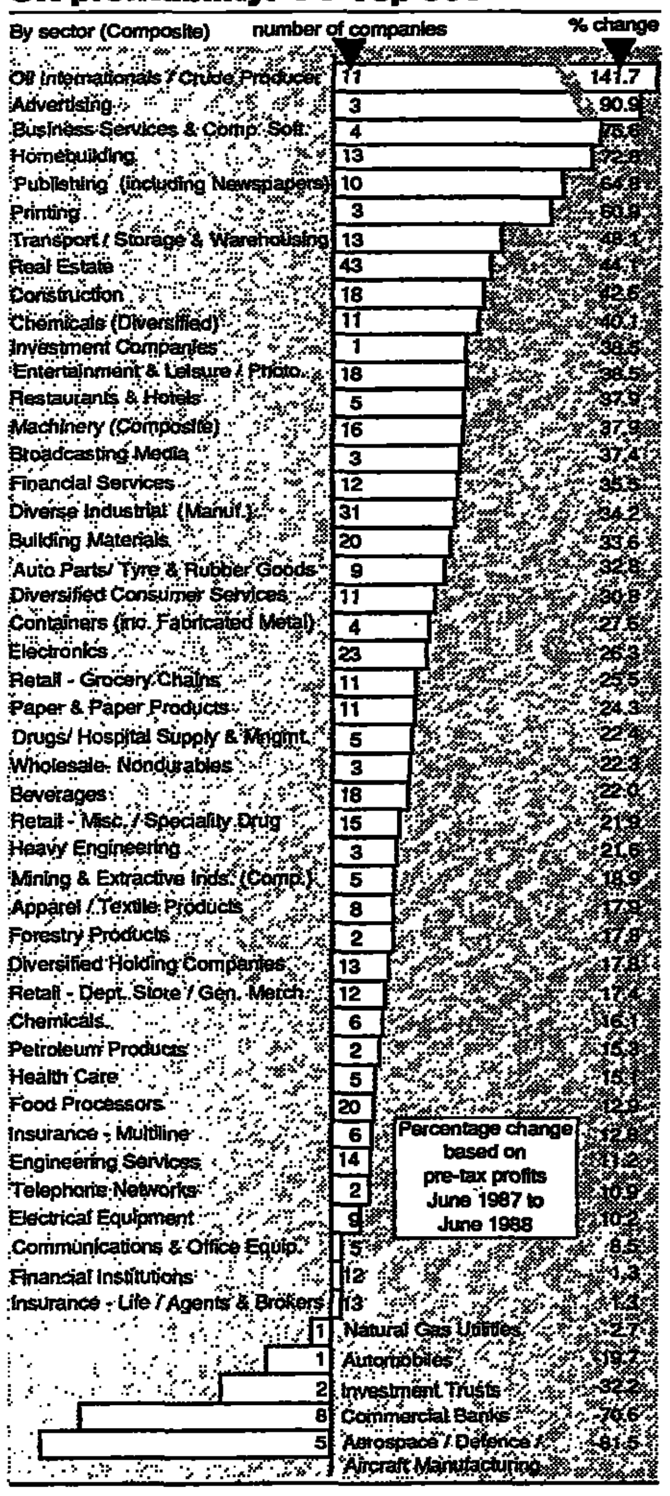
Additions to the UK Top 500

Company	This Rank	SR	Company	This Rank	SR
BAA	64	306	Hollis	444	591
FKI Babcock	139	563	Grainger Trust	445	161
London Forfaiting	288	121	Trade Indemnity	448	122
Ami Healthcare	289	434	Mucklow (A. & J.) Group	460	161
Landleisure	293	161	Allied Textiles	464	412
Proudfoot (Alexander)	307	566	Sovereign Oil	469	213
Falcon Industries	315	591	C.H. Industrials	470	591
NSM	322	631	Rockware Group	471	591
Persimmon Group	351	614	Amari	472	634
Goal Petroleum	362	213	Hogg Robinson & Gardner Mountain	475	142
UK Paper	375	652	Evode Group	476	591
Randsworth Trust	376	161	Alexon Group	477	411
Eagle Trust	377	591	Austin Reed Group	480	491
Davis, Godfrey	381	591	Town Centre Securities	483	161
Ruberoid	397	611	Anglia Television	484	474
A.B. Electronic Products	399	551	Fairbriar	485	614
Huntingdon International	404	591	Bentalls	486	491
ASW Holdings	407	633	Tilbury Group	487	613
Howden Group	411	561	International Business Comm.	488	472
Wembley Group	416	461	Midsummer Leisure	489	461
Astra Holdings	420	622	Shandwick	494	471
Asda Property	424	161	Wace Group	495	471
Hartwell	434	573	Black (Peter)	496	591
Walker Greenbank	438	591	Erskine House Group	497	534
Johnson Group Cleaners	439	406	Expamet International	498	591
Haden Maclellan Holdings	442	591	Tibbett & Britten Group	500	406

Departures from the UK Top 500

Company	Last Rank	SR	Company	Last Rank	SR
ASDA/MFI Group	(36)	493	Brown Boveri Kent	(425)	541
Britoil	(67)	213	Systems Designers	(428)	551
Octopus Publishing Group	(166)	652	Tricentrol	(430)	213
Hill Samuel Group	(169)	121	Boase Massimi Pollitt	(434)	475
Contibel Holdings	(177)	122	Bodycote International	(448)	412
Freemans	(193)	492	Yorkshire Television	(449)	474
Equity & Law Life Ass Soc	(201)	151	BM Group	(450)	571
Minet Holdings	(217)	142	Country & New Town Properties	(455)	161
Mercantile House Holdings	(223)	122	Hopkinsons Holdings	(456)	572
Babcock International	(227)	563	Powerscreen International	(457)	541
Stewart Wrightson Holdings	(250)	142	N.M.C. Investments	(459)	652
Hogg Robinson Group	(251)	142	Eucalyptus Pulp Mills	(467)	652
Crowther (John) Group	(258)	412	Owners Abroad Group	(468)	461
FKI Electricals	(275)	563	Whatman Reeve Angel	(469)	652
Guthrie Corporation	(295)	171	Sound Diffusion	(473)	541
Guthrie Corporation	(295)	171	Ryan International	(474)	631
Electronic Rentals Group	(298)	461	Illingworth Morris	(477)	412
Abaco Investments	(312)	122	Markheath Securities	(485)	161
MK Electric Group	(314)	541	MTM	(486)	622
Brown (Matthew)	(345)	421	Sirdar	(487)	412
Rivlin	(364)	161	Hughes Food Group	(488)	451
Lee International	(372)	461	Cater Allen Holdings	(490)	122
Cambridge Instruments	(379)	541	EIS Group	(493)	561
WPP Group	(392)	475	Beattie (James)	(494)	491
Dares Estates	(395)	161	Molins	(495)	572
Armstrong Equipment	(412)	571	Connells Estate Agents	(497)	406

UK profitability: FT Top 500



WPP leaps 147 places by . . .

Catching the bull's tail

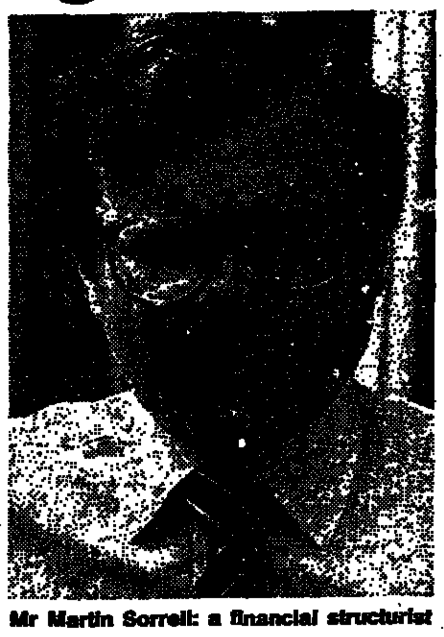
WITH A 1099 per cent increase in turnover and a 703 per cent surge in profits, WPP has clearly been going places over the last year. This is reflected in the FT500 table, which shows the former manufacturer of supermarket trolleys as the UK's 245th biggest company — a leap of no fewer than 147 places.

Mr Martin Sorrell, the chairman, is regarded as a financial structurist of rare ability, a one-man corporate finance department; and the above statistics reflect his ingenuity and ambition.

Of course, organic growth alone could not have generated increases on such a scale: they are due to WPP's $566m purchase of J.Walter Thompson, one of the world's largest advertising agencies, in June last year.

The transatlantic bid, pitched as it was for a vastly bigger company, was very much a product of the tail-end of the bull market in equities. And, despite much admiration for Mr Sorrell's financial pyrotechnics, the £213m rights issue which followed the JWT takeover flopped, with a take-up of just 35 per cent. Worse was to come: with Black Monday, the shares took a spectacular nose-dive, falling from a pre-JWT peak of £11 to a low of 300p.

While this was happening, Mr Sorrell was facing trouble on the home front. Everywhere there were rumours of client and staff defections. Now and then, these crystallised into fact — as in September last year, when JWT lost the giant Burger King account; or in March of this year when six top executives walked out from the Lord Geller Federico Einstein, a small Madison Avenue agency which held the



Mr Martin Sorrell: a financial structurist

lucrative IBM account with billings of $125m. As they attempted to set up a new agency with the help of Young & Rubicam, they found themselves confronting a welter of litigation.

Despite these troubles, Mr Sorrell was clearly progressing towards his goal of bringing JWT's performance into line with that of other large advertising agencies. The first fruits of his labours were reflected in 1987 profits figures, which came out in March and included a five-month contribution from JWT.

At £14m, the pre-tax result was substantially higher than most analysts' estimates, and margins crept upwards from 5 to 6.5 per cent of revenues: far short of the industry average of 10 per cent. The reflection that there was lot to look forward to helped resuscitate the shares somewhat, and they now stand at almost 600p, twice their post-crash low.

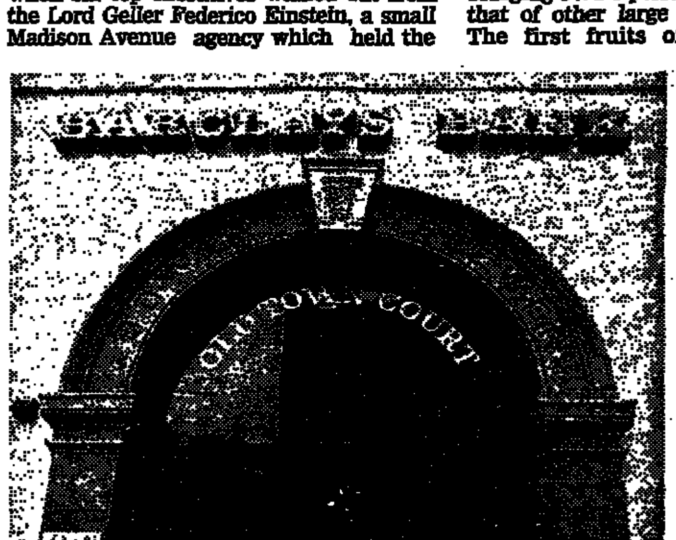
WPP's appetite for acquisitions was as insatiable as ever, despite the fact that this year it has been a lot harder to finance purchases with share-issues.

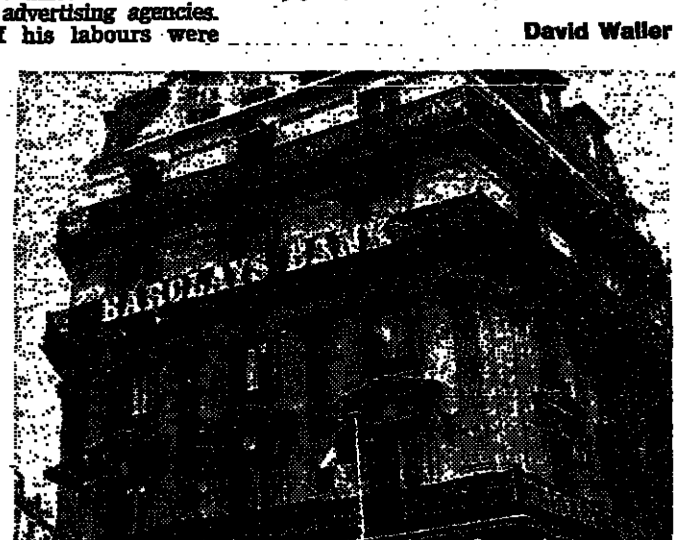
Another handicap was the balance sheet — which showed negative net worth at the year-end, as a result of the goodwill element in the JWT purchase. This did not stop WPP buying first the US hispanic agency Mendoza for $10m; then Anspach Grossman Portugal, also in the US, for $12m; and then, in April of this year, the Henley Centre, an economic forecasting and consultancy company for which WPP paid £18.55m.

There were two other smaller purchases in April, but the autumn months appeared to promise bigger things as WPP held extensive talks with Charles Barker, the advertising, public relations and recruitment group. In the event, these came to nothing.

Mr Sorrell believes that WPP now commands a mere 1 per cent of the world marketing services industry. So, after one busy year, there is clearly a lot more to do.

David Waller





Home and away: Barclays' presence in Swindon (Old Town) and Paris. The bank's ascent is described on page 7 of this survey

A–Z LIST OF THE UK TOP 500

[illegible]

TOP 100 UK INVESTMENT TRUSTS BY MARKET CAPITALISATION

Rank	Investment Trust	Market capital £m	Share-holders funds £m	% Discount	Rank	Investment Trust	Market capital £m	Share-holders funds £m	% Discount
1	Globe	740.694	982.069	23.0	51	Tribune	87.638	112.555	22.7
2	Foreign & Colonial	662.310	746.130	24.6	52	Murray Smaller Mrkts	86.265	110.104	21.7
3	T R Industrial & General	606.423	624.450	18.4	53	English & Scottish	82.347	105.726	22.1
4	Edinburgh Investment	441.263	617.782	25.3	54	Fleming American	80.732	128.321	21.3
5	Alliance	413.784	550.048	24.8	55	Triplevest	77.700	95.499	18.6
6	Witan	382.610	559.300	24.9	56	Schroder Global	77.101	93.132	21.4
7	Scottish Mortgage	371.542	491.949	24.5	57	Drayton Far Eastern	74.564	97.326	18.5
8	Scottish Investment	325.327	427.944	24.0	58	Electrical & General	70.545	95.368	26.0
9	British Investment	316.368	404.179	21.7	59	Fleming Technology	70.219	86.241	18.6
10	Electra	307.948	383.143	20.4	60	Brunner	69.760	93.591	25.5
11	Fleming Far Eastern	278.208	356.198	21.9	61	Overseas	68.790	94.970	22.4
12	Scottish Eastern	261.888	349.419	25.1	62	Sphére	66.528	87.438	26.3
13	Govett International	259.664	327.798	20.8	63	New Tokyo	64.998	79.042	14.8
14	British Assets	257.280	331.392	22.4	64	Law Debenture corp	64.184	73.923	15.7
15	Fleming Mercantile	255.781	347.505	26.4	65	F & C Small Cos	62.425	77.452	19.4
16	Anglo & Overseas	244.415	317.035	22.9	66	T R North America	61.440	71.581	13.2
17	Whitbread	234.679	252.611	12.0	67	St Andrew	60.152	75.759	20.6
18	*Govett Strategic*	*234.599*	*305.543*	*24.3*	68	Independent	57.121	67.873	16.0
19	Throgmorton Trust	233.530	313.419	19.0	69	Fledgeling Japan	54.797	74.412	16.1
20	T R Trustees Group	218.295	269.048	18.9	70	Murray Ventures	53.096	77.318	17.8
21	Ensign	217.413	250.841	13.3	71	London Amer Vent	52.263	66.502	21.4
22	Fleming Overseas	212.544	274.773	22.7	72	Biotechnology	52.140	77.239	36.7
23	Investors Capital	209.046	241.529	13.5	73	Majedie	52.007	74.493	30.3
24	Murray International	208.094	267.790	22.3	74	British Empire Secs	51.872	66.602	17.9
25	Scottish American	196.775	261.247	24.7	75	B G Japan	51.671	65.672	14.9
26	Secs Trust of Scotland	168.168	205.649	18.2	76	Fleming Claverhouse	50.800	60.508	16.0
27	Monks	166.047	222.310	25.3	77	Meldrum	49.594	62.951	21.2
28	Fleming Japanese	165.201	195.915	15.7	78	Fleming Enterprise	48.400	59.906	19.2
29	Merchants	152.450	190.184	19.8	79	Abingworth	47.917	60.592	35.1
30	Murray Income	151.322	186.961	19.1	80	M & G Dual Cap	47.130	81.998	42.2
31	Drayton Consolidated	147.075	200.892	26.6	81	Dundee & London	47.040	60.099	21.5
32	Continental & Indust	145.684	152.347	4.5	82	U.S.D.C.	43.975	58.223	24.5
33	F & C Pacific	143.417	192.762	19.0	83	Smaller Cos Inter	43.236	52.879	17.1
34	Second Alliance	141.120	186.526	24.3	84	External	42.282	56.893	14.5
35	T R City of London	140.549	167.248	16.0	85	Keystone	40.174	51.319	21.7
36	T R Property	134.784	153.536	12.2	86	*Lowland*	*38.280*	*42.660*	*10.3*
37	Reaburn	125.739	148.338	15.2	87	Investing in Success	38.250	53.818	28.9
38	Temple Bar	123.099	171.533	19.2	88	Shires	36.934	73.263	4.2
39	Northern American	122.060	163.832	25.5	89	T R Australia	36.344	42.077	13.5
40	First Scottish Amer	120.992	153.827	21.6	90	European Assets	36.159	54.186	25.4
41	Hambros	114.291	166.930	24.7	91	City & Commercial	35.924	48.021	26.2
42	Bankers	108.416	138.911	22.0	92	Hambros Adv Tech	35.782	44.017	18.6
43	American	104.727	126.603	17.3	93	T R Pacific	35.512	42.615	16.7
44	Govett Atlantic	103.739	131.500	21.1	94	Gartmore Information	34.026	43.686	22.5
45	Kleinwort Overseas	102.698	134.345	23.6	95	Fundinvest	33.339	38.611	14.1
46	Romney	101.162	123.804	18.0	96	Moorgate	32.154	31.403	-2.4
47	Kleinwort Charter	100.461	128.715	22.0	97	London Atlantic	29.431	36.864	24.3
48	G T Japan	96.706	112.251	13.9	98	London & Strathclyde	29.232	38.478	24.0
49	Fleming Universal	93.350	122.107	23.6	99	Scottish & Merc	27.120	26.622	[illegible]
50	G B C Capital	88.051	94.322	11.0	100	Yeoman Capital	27.083	36.686	[illegible]